The information in this offering circular is not complete and may be changed. This offering circular is not an offer to sell these securities nor a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY CONFIDENTIAL OFFERING CIRCULAR
(Subject to Completion, Dated December 4, 2017)

bmc

BMC Software Finance, Inc.

€380,000,000
% Senior Notes due 2023

BMC Software Finance, Inc. (the "Issuer") is offering €380,000,000 of its % Senior Notes due 2023 (the "notes"). The notes will mature on , 2023. We will pay interest on the notes semi-annually in arrears on and of each year, commencing on , 2018.

The notes will be our general, unsecured senior obligations and will rank senior in right of payment to all of our existing and future subordinated indebtedness and equal in right of payment with all of our existing and future senior indebtedness, without giving effect to collateral arrangements. The notes will be effectively subordinated to our existing and future secured indebtedness, including borrowings under our Senior Secured Credit Facilities (as defined herein), to the extent of the value of the assets securing that indebtedness.

BMC Software Israel LTD, Identify Software LTD and each of our existing and future wholly owned domestic subsidiaries that guarantee obligations under the Senior Secured Credit Facilities will guarantee the notes. The note guarantees will rank senior in right of payment to all of our subsidiary guarantors' existing and future subordinated indebtedness and equal in right of payment with all of our subsidiary guarantors' existing and future senior indebtedness, without giving effect to collateral arrangements. The note guarantees will be effectively subordinated to our subsidiary guarantors' existing and future secured indebtedness, including guarantees under our Senior Secured Credit Facilities, to the extent of the value of the assets securing that indebtedness. The notes and the note guarantees will be structurally subordinated to the liabilities of any non-guarantor subsidiaries to the extent of the assets of these subsidiaries.

We may redeem the notes, in whole or in part, at any time on or after , 2019, at the redemption prices set forth under "Description of Notes—Optional Redemption." We also may redeem up to 40% of the notes prior to , 2019 with the net cash proceeds from certain equity offerings. In addition, we may redeem the notes, in whole or in part, at any time prior to , 2019, at a "make-whole" redemption price specified under "Description of Notes—Optional Redemption." If we undergo a change of control or sell certain assets, we may be required to offer to purchase the notes on the terms described in this offering circular.

Proceeds from this offering, together with borrowings under our new Term Loan B add-on and cash on hand, will be used to fund the redemption of the outstanding 9.000%/9.750% Senior Contingent Cash Pay Notes due 2019 of Boxer Parent Company Inc. ("Parent"), our parent company, to pay all fees and expenses related thereto and in connection with this offering and for general corporate purposes.

There is currently no public market for the notes. An application will be made to list the notes on the Official List of The International Stock Exchange ("TISE") and to admit the notes for trading on the Official List of TISE. There can be no assurance that the notes will be listed on the Official List of TISE and admitted for trading on the Official List of TISE.

Investing in the notes involves risks. See "Risk Factors" beginning on page 25.

Price for notes: %
plus accrued interest, if any, from December , 2017.

The notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). The notes may not be sold except to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) within the United States (the "U.S.") and offered and sold to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain information about eligible offerees and restrictions on transfers of the notes, see "Transfer Restrictions" and "Plan of Distribution."

The notes will be represented on issue by one or more global notes, and beneficial interests therein will be credited through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") to their participants, on or about December , 2017. The notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 above €100,000.

Lead Joint Book-Running Managers

Credit Suisse **Barclays** **Goldman Sachs & Co. LLC**

HSBC **Mizuho Securities** **RBC Capital Markets**

The date of this confidential offering circular is December , 2017.

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You should rely only on the information contained in this offering circular, any offering circular supplement or a document to which we have referred you. We and the initial purchasers have not authorized any person to provide you with any information that is different. This offering circular may only be accurate on the date of this offering circular or any offering circular supplement. You should not assume that the information contained in this offering circular or any offering circular supplement is accurate as of any date other than the date on the front of those documents.

It is expected that delivery of the notes will be made against payment therefor on or about the date specified on the cover of this offering circular, which is the tenth business day following the date of pricing of the notes (such settlement cycle being referred to as "T+10"). You should note that trading of the notes on the date of this offering circular or the next seven succeeding business days may be affected by the T+10 settlement. Purchasers of the notes who wish to trade the notes on the date of pricing should consult their own adviser. See "Plan of Distribution."

NOTICE TO INVESTORS IN THE UNITED STATES

This offering circular does not constitute an offer to sell, or a solicitation of an offer to buy, any of the notes to any person in any jurisdiction where it is unlawful to make such an offer or solicitation.

The notes described in this offering circular have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "SEC") or any other federal, state or foreign securities commission or regulatory authority, nor has the SEC or any such securities commission or authority passed upon the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense.

NOTICE TO CERTAIN EUROPEAN ECONOMIC AREA INVESTORS

European Economic Area

This offering circular has been prepared on the basis that all offers of the notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the "Prospectus Directive"), as implemented in member states ("Member States") of the European Economic Area (the "EEA"), from the requirement to produce a prospectus for offers of the notes. Accordingly, any person making or intending to make any offer of the notes within the EEA should only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to produce a prospectus for such offer. Neither the Issuer nor the initial purchasers has authorized, nor do they authorize, the making of any offer of notes through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the notes contemplated in this offering circular.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "Relevant Member State"), the offer to the public of any notes which are the subject of this offering contemplated by this offering circular is not being made and will not be made in that Relevant Member State other than:

(a) to any legal entity that is a "qualified investor" as defined in the Prospectus Directive (which refers to the definition of professional investors set forth in Directive 2004/39/EC, the Markets in Financial Instruments Directive or "MiFID");

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant initial purchaser or initial purchasers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the notes shall require the Issuer or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to the notes 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 notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, 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 amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each subscriber for, or purchaser of, the notes in this offering located within a Member State of the EEA will be deemed to have represented, acknowledged and agreed that it is a qualified investor as defined in the Prospectus Directive. We and the initial purchasers and their respective affiliates and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement.

United Kingdom

This offering circular is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (iii) are persons falling within Articles 49(2)(a) to (d) of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment banking activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) in connection with the issue or sale of any notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering circular or any of its contents.

You should not construe the contents of this offering circular as investment, legal or tax advice. You should consult your counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the notes. We are not, and the initial purchasers are not, making any representation to you regarding the legality of an investment in the notes by you under applicable legal investment or similar laws. In making an investment decision regarding the notes offered by this offering circular, you must rely on your own examination of our company and the terms of this offering, including, without limitation, the merits and risks involved. This offering is being made on the basis of this offering circular.

This offering is being made in reliance upon an exemption from registration under the Securities Act, for an offer and sale of the notes that does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgements, representations and agreements as set forth under the caption "Transfer Restrictions."

This offering circular is being provided on a confidential basis (1) to persons reasonably believed to be "qualified institutional buyers," as defined in Rule 144A under the Securities Act, for informational use solely in connection with their consideration of the purchase of the notes and (2) to non-U.S. persons in offshore transactions complying with Regulation S under the Securities Act. Its use for any other purpose is not authorized. This offering circular may not be copied or reproduced in whole or in part, nor may it be distributed or any of its contents be disclosed to anyone other than the prospective investors to whom it is being provided.

The information contained in this offering circular has been furnished by us and other sources we believe to be reliable. No representation or warranty, express or implied, is made by the initial purchasers as to the accuracy or completeness of any of the information set forth in this offering circular and nothing contained in this offering circular is or shall be relied upon as a promise or representation, whether as to the past or the future. No person is authorized in connection with any offering made by this offering circular to give any information or to make any representation not contained in this offering circular and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the initial purchasers. This offering circular contains summaries that we believe to be accurate of certain terms of specific documents, but reference is made to the actual documents, copies of which will be made available upon request. For information regarding where you can obtain those documents, see "Where You Can Find More Information." All summaries are qualified in their entirety by this reference.

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. See "Transfer Restrictions." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

We reserve the right to withdraw this offering of the notes at any time, and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to you less than the full amount of notes subscribed for by you. We are making this offering subject to the terms described in this offering circular and the indenture governing the notes.

Each prospective purchaser of the notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the notes or possesses or distributes this offering circular and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the initial purchasers shall have any responsibility therefor.

Some of the initial purchasers participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the notes, including over-allotment, stabilizing transactions, covering transactions and penalty bids in the notes in accordance with Regulation M under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such transactions, if commenced, may be discontinued at any time. For a description of these activities, see "Plan of Distribution."

PRESENTATION OF FINANCIAL INFORMATION

On September 10, 2013, the Issuer acquired (the "Acquisition") 100% of the outstanding share capital of BMC Software, Inc. ("BMC Software") pursuant to an Agreement and Plan of Merger (as amended, the "Merger Agreement"). All historical financial information included in this offering circular is that of the Issuer and its consolidated subsidiaries.

We believe that the financial statements and the other financial data included in this offering circular have been prepared in a manner that complies, in all material respects, with U.S. generally accepted accounting principles ("GAAP") with the exception of the presentation of certain non-GAAP financial measures (as described below), including Non-GAAP EBITDA and Consolidated EBITDA.

MARKET, RANKING AND OTHER DATA

This offering circular includes industry data that we obtained from periodic industry publications. As noted in this offering circular, International Data Corporation ("IDC") and Gartner, Inc. ("Gartner") were the primary sources for third-party industry data and forecasts. The information provided by IDC (May 2017) and Gartner (June 2017) represents data, research, opinion or viewpoints provided by IDC and Gartner and is not representations of fact. The information is as of its original publication dates (and not as of the date of this offering circular) and the opinions expressed in the IDC and Gartner information are subject to change without notice. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information included in this offering circular. Neither we nor the initial purchasers have independently verified any data from third-party sources nor have we or the initial purchasers ascertained the underlying economic assumptions relied upon therein.

TRADEMARKS

Several trademarks and tradenames appear in this offering circular. BMC, BMC Software and the BMC Software logo are the exclusive properties of BMC Software, Inc., are registered with the U.S. Patent and Trademark Office, and may be registered or pending registration in other countries. Other trademarks and tradenames are used in this offering circular, which identify other entities claiming the marks and names of their products. We disclaim proprietary interest in such marks and names of others. Solely for convenience, the trademarks, service marks and trade names referred to in this offering circular are listed without the ®, (TM) and (sm) symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and trade names.

NON-GAAP FINANCIAL MEASURES

We have included certain non-GAAP financial measures in this offering circular, including (i) Non-GAAP EBITDA, which represents net income (loss) before other expense (net), provision (benefit) for income taxes, depreciation and amortization expenses and other adjustments (including the removal of certain purchase accounting adjustments) and (ii) Consolidated EBITDA, which represents Non-GAAP EBITDA further adjusted for additional items, all as described in the table in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures and Reconciliations" and as prescribed by our Senior Secured Credit Facilities and the indenture governing our existing and future senior unsecured debt, including the Issuer's 8.125% senior notes due 2021 (the "Existing 2021 Notes"). Consolidated EBITDA is principally evaluated on a trailing twelve-month basis. As a result of the application of purchase accounting in connection with the Acquisition, certain revenue captions are not comparable to historical periods prior to the Acquisition. As such, to aid comparability, certain additional non-GAAP revenue information is included herein to remove the effects of purchase accounting. We also refer to certain bookings information. Bookings represent the total value of customer transactions closed and recorded by us. Additionally, we evaluate our results of operations on both an as reported and constant currency basis. Accordingly, we have included certain constant currency metrics that exclude the effects of fluctuations in foreign currency exchange rates by applying foreign currency exchange rates in effect as of April 1, 2017 to both the current and prior periods, consistent with how we evaluate foreign currency exchange rate impacts on our operating results for fiscal year 2018. This calculation may differ from similarly titled measures used by others and, accordingly, the constant currency presentation is not meant to be a substitution for reported amounts presented in conformity with GAAP.

We believe that the presentation of Non-GAAP EBITDA provides meaningful supplemental information regarding our operating results because it excludes amounts that management and the Board of Directors do not consider part of core operating results when assessing the performance of the organization. Additionally, we believe that the presentation of Consolidated EBITDA is useful to debt holders and other interested parties because it provides additional information to measure our performance and evaluate our ability to service our debt, consistent with the definition of Consolidated EBITDA in our Senior Secured Credit Facilities and the indenture governing our Existing 2021 Notes.

While we believe that these non-GAAP financial measures provide useful supplemental information, there are limitations associated with the use of these non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with GAAP, do not reflect a comprehensive system of accounting and may not be completely comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation between companies. Items that are excluded from our non-GAAP financial measures can have a material impact on net income (loss). As a result, these non-GAAP financial measures should not be considered in isolation from, or as a substitute for, net income (loss), cash flow from operations or other measures of performance prepared in accordance with GAAP. We compensate for these limitations by using these non-GAAP financial measures as supplements to GAAP financial measures and by reconciling the non-GAAP financial measures to their most comparable GAAP financial measure. Readers should review the reconciliations of these non-GAAP financial measures to their most comparable GAAP financial measures contained herein.

FORWARD-LOOKING STATEMENTS

This offering circular and statements made from time to time, other than historical facts, by us and our representatives constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on these forward-looking statements and any such forward-looking statements are qualified in their entirety by reference to the following cautionary statements. All forward-looking statements speak only as of the date hereof and are based on current expectations and involve a number of assumptions, risks and uncertainties that could cause the actual results to differ materially from such forward-looking statements.

Actual results may differ materially from those indicated by such forward-looking statements. In addition, the forward-looking statements represent our views as of the date on which such statements were made. We anticipate that subsequent events and developments may cause our views to change. However, although we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date hereof. We expressly disclaim a duty to provide updates to forward-looking statements, whether as a result of new information, future events or other occurrences. Additional factors that may affect the business or financial results are described in the section entitled "Risk Factors" included herein.

SUMMARY

This summary highlights material information about our business and about this notes offering. This is a summary of material information contained elsewhere in this offering circular and is not complete and does not contain all of the information that may be important to you. For a more complete understanding of our business and this offering, you should read this entire offering circular, including the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Company's audited and unaudited consolidated financial statements and related notes thereto, which are included elsewhere in this offering circular.

In this offering circular, unless otherwise stated or unless the context otherwise requires, the "Company," "we," "us" and "our" refer to BMC Software Finance, Inc., and its consolidated subsidiaries. The term "Issuer" refers only to BMC Software Finance, Inc. References to "fiscal year 2017" refer to the Company's fiscal year ended March 31, 2017.

Our Company

We are a leading global provider of innovative Digital Enterprise Management ("DEM") solutions to simplify and automate complex functions and processes. Across industries, our customers are confronted with a market demand to transform their businesses into digital enterprises to improve efficiency and value. Our extensive portfolio of information technology operations management ("ITOM") software solutions improves decision-making and orchestrates workflows across distributed, mainframe, cloud and mobile environments. We also provide our customers with maintenance and support services for our products and assist customers with software implementation, integration, IT process and organizational transformation and education services. For the twelve months ended September 30, 2017, we generated Consolidated EBITDA (as defined herein) of $772 million. See "—Summary Historical Consolidated Financial Data."

We serve a large, diverse and sophisticated base of more than 10,000 customers worldwide, ranging from enterprise level organizations to small and medium businesses, including 100% of the Forbes Global 100 and 87% of the Forbes 500. Our software products are widely deployed by IT departments across a broad range of industries, businesses and applications worldwide, with particular strengths in banking, financial services and governmental agencies. Our customer base also includes major telecommunication companies, manufacturers, educational institutions, retailers, hospitals and other industries, as well as channel partners including resellers, distributors and systems integrators. No single customer represented a material portion of our revenue in any of the past three fiscal years.

We have a global customer footprint across more than 100 countries and have a strong presence in both mature and emerging markets in North America, Europe, the Middle East and Africa ("EMEA"), Asia Pacific and Latin America, with approximately 5,900 employees worldwide as of September 30, 2017. We market and sell our products in most major world markets directly through our sales force and indirectly through channel partners. Our sales force also includes an inside sales division that provides a channel for additional sales to existing customers. This worldwide coverage provides us with economies of scale, higher capital productivity through lower cost offshore operations and the ability to more effectively deliver our solutions and services to high-growth emerging markets and to support businesses that are becoming increasingly global.

We sell perpetual and term licenses for the use of our on-premise software, together with an industry-leading package of maintenance and support services provided on an annual or multi-year basis. In 2010, we introduced software-as-a-service ("SaaS") delivery for certain products which are sold based on an annual and multi-year subscription model. Generally, customers are billed up front for the term of their maintenance contract or subscription period. During the twelve months ended September 30, 2017, we generated approximately 75% of our non-GAAP revenue from recurring sources, comprised of maintenance contracts, term licenses and subscriptions. In addition to these recurring revenue streams, we have a highly re-occurring perpetual license revenue stream—the majority of our perpetual license sales are to existing customers that are increasing capacity and adding new products and modules. At contract expiration, we are able to realize high renewal rates due to our technology leadership, the mission-critical nature of our products and the significant switching costs associated with changing providers. Some of our products have been deeply embedded in customers' IT infrastructures for over a decade, making them expensive and risky to replace. Over 80% of our non-GAAP license and maintenance revenue (collectively, our "product revenue") was attributable to customers which have maintained a relationship with BMC for 10 years or more. As a result of these factors, in the twelve months ended September 30, 2017, we realized customer renewal rates for maintenance on perpetual licenses of approximately 91%.

We have established a strong brand with high customer satisfaction and a leading market position with our DEM strategy, which focuses on complementary, broad functionality across heterogeneous IT environments, including mainframes as well as traditional on-premise, virtualized and emerging cloud infrastructures. Our expansive portfolio, with leading products across most major ITOM market segments, allows us to provide an integrated solution suite that meets the needs of large global customers who are seeking a more comprehensive approach to IT management, while still allowing us to serve less sophisticated customers with attractive individual products and solutions. Furthermore, our solution-focused marketing provides an approach that enables us to be responsive to existing and changing client requirements across a full range of IT platforms and applications.

We are primarily organized into two business units, ZSolutions Optimization ("ZSO") and Enterprise Solutions Organization ("ESO"). Our ZSO business unit is comprised of a ZSolutions product line, which includes mainframe database development and management tools, performance management tools and IT event and log management tools. The ZSO business unit also includes the Select Technologies Group ("STG"), which holds end-of-life products. Our ESO business unit consists of solutions for distributed, virtual and cloud IT environments, with its product lines for Digital Service Management ("DSM"), Security Operations, Performance and Analytics and Digital Business Automation ("DBA").

Our Industry

Effective IT management enables businesses to more efficiently deliver services to employees and customers. Many IT organizations have highly manual processes, often held together by paper-based forms, spreadsheets, email, personal relationships and "tribal" knowledge. Manual or inefficiently automated IT operations can result in high costs and negatively impact business operations and profitability. ITOM solutions help IT organizations standardize, automate and integrate operations, effectively lowering cost and increasing profitability.

Enterprises today increasingly face challenges in managing IT operations. Over the last several decades, IT infrastructures have grown to include a multitude of software applications, databases, operating systems, mainframes, servers, networking equipment, personal computers, mobile devices and a variety of other hardware and software assets, which are increasingly being operated in cloud, hybrid and virtualized environments as well as in traditional on-premise installations. In addition to the traditional issues of efficiency improvement, performance optimization and compliance, the proliferation of internet services is presenting new challenges to our customers at an increasing rate.

Traditional customer IT challenges:

- ***Cost containment***—IT is a major cost center for large enterprises. As a result, demand is consistently strong for products and services that help automate processes and drive efficiencies to reduce overall cost.
- ***Compliance and regulations***—Enterprises are required to be accountable to shareholders, employees and government authorities. IT organizations are often at the heart of compliance initiatives because businesses rely on technology to automate, track and report on the areas for which compliance is measured.
- ***Responsiveness to business needs***—IT organizations are increasingly required to be more proactive in the design and development of new processes rather than simply reacting to business changes.
- ***Infrastructure optimization***—Enterprises need integrated and standardized solutions that work with their existing systems to maximize the availability and usability of IT assets and the efficiency of IT staff.

New challenges:

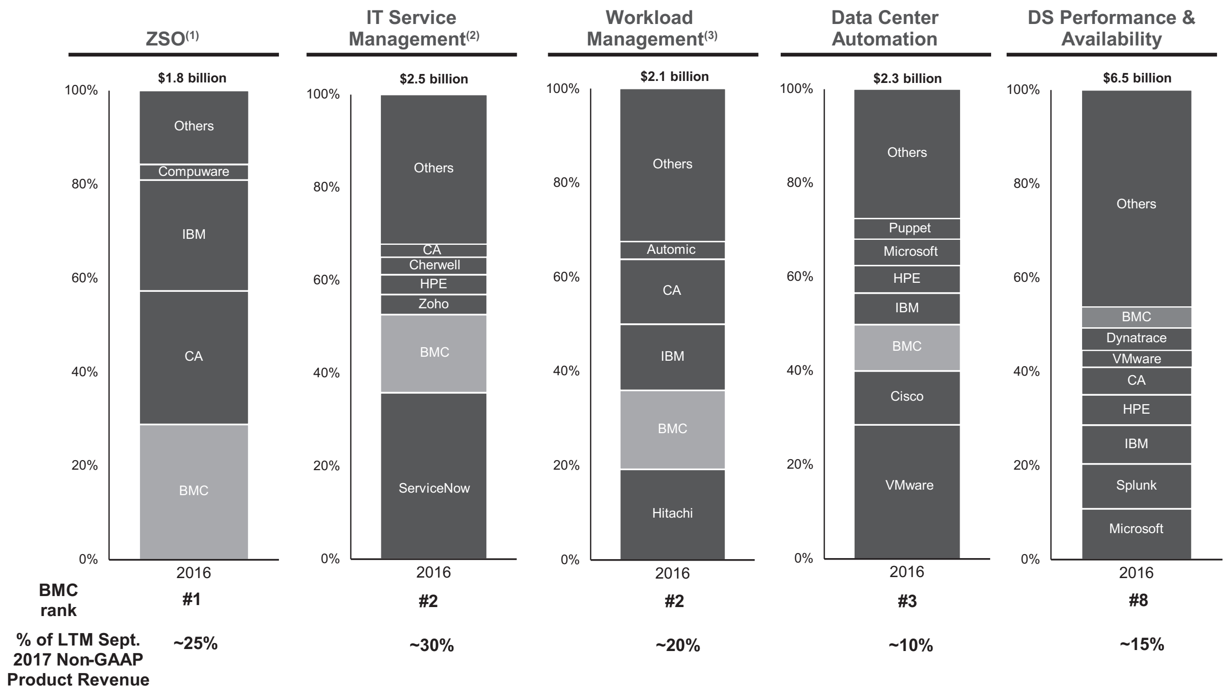
- ***Consumerization of IT***—Individuals are spending more time interacting with consumer-like devices as well as social and mobile internet services. These experiences have increased business users' expectations that they can access and interact with corporate IT technologies in a similar and familiar way. In many cases, employees can substitute consumer technology for corporate IT, weakening the IT department's ability to control and monitor usage. IT organizations are struggling to respond to these increased demands in a cost-effective manner.
- ***Shift to unified user centered IT management***—Employees are placing increased demands on IT operations for anywhere, anytime access to get their jobs done. Digital transformation initiatives will drive the need for IT organizations to embrace end-to-end management.
- ***Transition to cloud based environments***—Deployments in on-premise, SaaS and multicloud environments will continue to increase in the future. Key areas in the future are focused around cloud infrastructure management and systems management software delivered as SaaS.
- ***Automation & Cognitive***—Automation of IT systems management processes and actions will grow. Machine learning and artificial intelligence are increasingly being used to automate determination of service baselines and set thresholds based on expectation of future behavior.
- ***Mission critical mobility***—IT consumerization is impacting mission critical business applications and workflow processes. General purpose built solutions fall short against the "high availability" requirements of mission critical applications.

These challenges place significant importance on ITOM technologies and processes that enable IT cost reductions and staff efficiencies, improve quality of service, empower IT organizations to better manage business risks and help deliver the strategic goal of aligning IT with the business.

According to Gartner, the global ITOM software market size was $23 billion in 2016. IDC projects the global ITOM software market will grow at a 7% annualized rate through 2021.

Our Competitive Strengths

Leadership Position in ITOM Software Markets. We are the second largest vendor in the $23 billion global ITOM software market with 8% market share. We have maintained our market position over time with a strong and consistent strategy focused on complementary, broad functionality across heterogeneous IT environments, including virtualized and emerging cloud infrastructures. Furthermore, we are positioned strongly in the core IT segments that matter most to our customers, with more than 80% of non-GAAP product revenue derived from product lines with top 3 market positions. The following table shows our position within our core global markets for 2016, as well as our relative weighting of non-GAAP product revenue for the twelve months ended September 30, 2017 in each market.

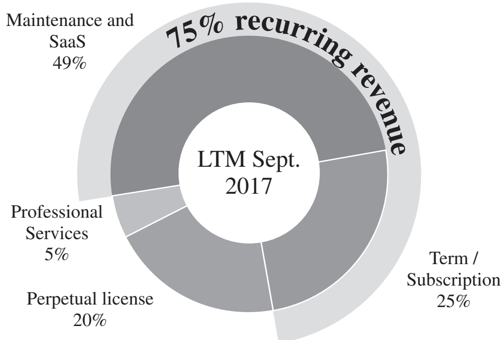


Source: IDC

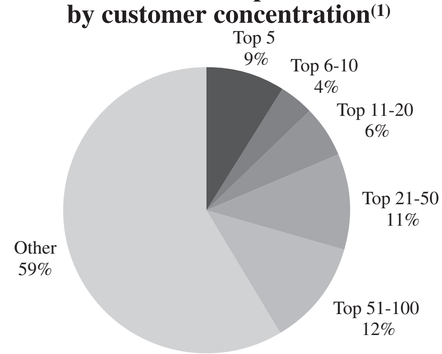
(1) ZSO includes the Mainframe Database Development and Management Tools, Performance Management Tools and IT Event and Log Management Tools market.
(2) Includes the Problem Management market only.
(3) The market share of CA, Inc. ("CA") excludes the impact of its acquisition of Automic.

Stable Business Model Driven by Recurring Revenue and Renewals. We derive the majority of our revenue from recurring maintenance contracts and term licenses, which have provided a predictable and highly visible revenue stream. During the twelve months ended September 30, 2017, we generated approximately 75% of our non-GAAP revenue from recurring sources, comprised of maintenance contracts, term licenses and subscriptions, relative to 63% in fiscal year 2013. Our software solutions are mission-critical and deeply embedded within the IT infrastructure, which drives high switching costs given the disruptive, time-consuming and resource-intensive nature of new enterprise installations. Some of our products have been embedded in customers' IT infrastructure for over a decade, making them expensive and risky to replace. Furthermore, our significant domain expertise enables a high level of end-user customization, further entrenching customers in our solutions and making switching even more difficult. These factors, along with our continued investment in products, and our focus on customer service and support, have resulted in high maintenance renewal rates across both of the ESO and ZSO business units, with average customer renewal rates in excess of 90% since fiscal year 2015. During the twelve months ended September 30, 2017, we realized customer renewal rates on maintenance for perpetual licenses of approximately 91%, driven at least in part due to strong customer satisfaction with our products and services.

LTM September 30, 2017 non-GAAP constant currency revenue by type



FY 2017 non-GAAP product revenue by customer concentration[(1)]



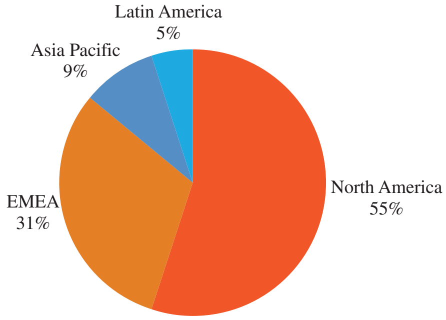
(1) Product revenue is defined as ESO and ZSO non-GAAP revenue.

Best-in-Class, Highly Integrated Product Portfolio. We are a recognized technology leader in the ITOM software market. We have an expansive, highly integrated portfolio, with best-in-class products across a majority of the ITOM market segments in which we participate and a focus on broad management functionality across heterogeneous environments. We actively update and refresh our product portfolio to maintain and extend our competitive positioning and drive expansion in high-growth market segments. In fiscal year 2017 alone, we released several significant upgrades to existing products, including new versions of our key products in DSM, Security Operations, Performance and Analytics and DBA.

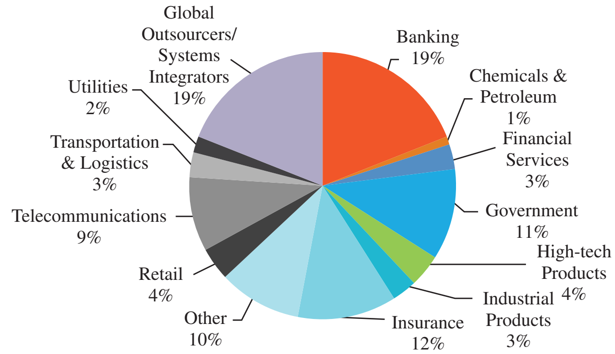
Our unified DEM platform brings consistency to operations and provides a common way of communicating across functional areas within IT. Our full-service software suite uses a shared foundational technology that provides the enabling architecture to create integrated solutions whereby the component parts communicate and work together to solve IT problems. Moreover, our platform offers customers the flexibility of deploying software all at once as a full, comprehensive solution or over time as a series of independent products. This approach resonates extremely well with large enterprise customers and results in substantial savings and value creation through improved IT operational efficiency, consistent service delivery and the ability to rapidly address changing business needs.

Broad, Diversified Base of Customers, Geographies and Industries. We serve over 10,000 customers, ranging from small and mid-market businesses to governments and the largest enterprises in the world. All of the Forbes Global 100 and 87% of the Forbes 500 companies rely on us for ITOM solutions. Our revenue base is diverse across geographies with customers in more than 100 countries with 49% of fiscal year 2017 non-GAAP revenue generated outside of the United States. Our products are widely deployed by IT departments across a broad range of industries, with particular strengths in banking, financial services and governmental agencies. Our customer base also includes major telecommunications companies, manufacturers, educational institutions, retailers, hospitals and other industries, as well as channel partners including IT outsourcing providers, distributors and systems integrators. No single customer represented a material portion of our revenue in any of the past three fiscal years. Our strong presence in numerous industry verticals and the mission-critical nature of our products helps to diversify our revenue base and mitigate the risk of industry-specific and cyclical downturns.

FY 2017 non-GAAP product revenue by geography



FY 2017 non-GAAP product revenue by industry vertical



Attractive Financial Profile with Strong Free Cash Flow Generation. As a result of our recurring and profitable maintenance, subscription and term license revenue streams, we have had significant visibility and predictability into our cash flows. Our EBITDA margins, disciplined capital expenditures and favorable working capital dynamics drive significant free cash flow generation. We expect that our stable customer base, along with our disciplined approach to spending, will enable us to continue to generate consistent free cash flow.

Experienced Management Team. We are led by an experienced management team with significant industry knowledge. The management team has led our successful transformation from a mainframe tools vendor to a company that delivers leading strategic enterprise management and automation solutions, enabling customers to automate IT and improve their business systems. The Sponsors (as defined below) are among the most active sponsors in the software sector, and have substantial experience with scale enterprise and infrastructure software companies.

Our Strategy

Our strategy is to be the leader in providing innovative DEM solutions to simplify and automate complex functions and processes to improve efficiency and value and transform businesses into digital enterprises. We believe that we are well-positioned to capitalize on the attractive market growth dynamics. We focus on providing a compelling suite of products and high quality service to our customers while continuing to innovate and invest to maintain our leadership position in the market. The key elements of our strategy are as follows.

Provide Comprehensive and Integrated Service Across Multiple Platforms. We intend to strengthen our market position through a consistent DEM strategy focused on complementary, broad functionality across heterogeneous IT environments, including mainframe, traditional on-premise, virtualized and emerging cloud and mobile infrastructures. Typical enterprise-level customers operate multiple computing environments and manage mainframes, physical and virtual servers, desktop and mobile devices and consumer-facing applications that require integrated solutions that provide visibility across the entire IT infrastructure. Our DEM platform enables us to bring consistency to operations and provide a common architecture to simplify the management of the IT environment. This approach resonates powerfully with large enterprise customers, which have historically been the core of our customer base.

We are committed to helping our customers optimize their IT operations and infrastructure and are continuously developing innovative solutions through internal development, targeted tuck-in strategic acquisitions and partnerships with leading technology providers. The advent of new technologies, such as server virtualization and cloud computing, as well as the proliferation of mobile devices, have increased the complexity of IT operations, further reinforcing the importance of a unified offering. Our expansive portfolio, with leading products across most major ITOM market segments, allows us to help our customers meet their business challenges with a high level of integration and standardization. We have invested and will continue to invest in a family of proprietary foundational technologies which provide the enabling architecture to unify information and processes from disparate management tools.

Maintain Technology and Development Leadership. We intend to continue focusing on core products and technologies that provide value to our customers and sustain our competitive advantage. Furthermore, we will continue to innovate around our DEM platform to adapt to the constantly evolving technology landscape. We have demonstrated a strong track record of innovation with new products and industry-leading solutions that fulfill the cutting edge of customers' needs. Several of these products have garnered industry accolades and found strong traction with customers, including:

- ***Performance and Analytics***—TrueSight elevates IT operations to improve the quality and performance of digital services that run in hybrid and multi-cloud environments. TrueSight automatically correlates and prioritizes events across the entire IT landscape, putting focus on the events that actually impact the business. It understands the entire environment as one resource and brings deep visibility into the entire IT landscape, using predictive analytics to provide unparalleled integration of usage data for cost and utilization management. It leverages application insights for infrastructure operations by integrating an application lens to infrastructure management, enabling customers to contextualize infrastructure, from mainframes to end users, delivering on user and customer expectations.
- ***SaaS***—We offer our industry-leading *Remedy* DSM product suite through on-premise or SaaS deployments, offering customers flexibility to choose the delivery option that best fits with their business needs and processes. Our *Remedy OnDemand* solution for enterprise customers and *RemedyForce* solution custom-built on the platform for small to medium-sized businesses, both SaaS deployments, have expanded rapidly since they were introduced in fiscal year 2010. Across our several SaaS offerings, we ended fiscal year 2017 with over 900 customers, most of whom were not previously *Remedy* on-premise customers. Since fiscal year 2013, our SaaS bookings have nearly tripled.
- ***Cloud Solutions***—Our cloud solutions give IT professionals unified control over physical and virtualized systems across public, private and hybrid cloud environments, reducing platform fragmentation and addressing scalability, availability, compliance and regulatory challenges. Cross-platform control of both physical and virtual environments reduces vendor lock-in and enables the user to expand the IT infrastructure on the organization's preferred timetable. This level of flexibility allows the organization to focus on meeting business needs and creates a fully functional IT infrastructure that supports the ongoing operations of the business and enables management to focus on growth without the obstacles created by an inefficient IT ecosystem. Our cloud solutions are now in use by some of the world's largest public sector organizations and commercial enterprises.
- ***Digital Business Automation***—*Control-M*, a digital business automation solution, simplifies and automates diverse batch application workloads within and between on-premise data centers to multi-cloud environments. At the center of infrastructure, data and applications, it improves SLAs and accelerates application deployment. It enables customers to automate complex workflows to cut costs and improve service quality through job scheduling, managing file transfers, facilitating Big Data batch processing and enabling developers to define, test and debug scripts earlier in the software development lifecycle through DevOps.

Continue to Drive Growth and Operational Efficiencies. Over the last several years, we have made significant investments in research and development and our go-to-market strategy to drive further growth in our business. Specifically, we have invested over $1.8 billion in research and development initiatives since 2013, averaging 24% of non-GAAP product revenue per annum. This, coupled with a reallocation of capital to high-priority, high growth areas, the roll out of a refreshed brand and introduction of new innovative products, has positioned the business well as we commence the current renewal cycle. Following this period of investment, we are demonstrating strong momentum and posting robust non-GAAP revenue and Non-GAAP EBITDA growth through consistent execution, disciplined cost control and the attractive operating leverage inherent to our business model. The strong bookings momentum can be observed in new product bookings and total product bookings demonstrating growth of 6% and 21%, respectively, for the twelve months ended September 30, 2017 on a constant currency basis. Furthermore, we have demonstrated seven consecutive quarters of growth in rolling last twelve months non-GAAP revenue and Non-GAAP EBITDA less Cap SW (as defined herein) on a constant currency basis, posting compounded annualized growth of 3% and 17%, respectively, since the twelve months ended December 31, 2015. See "—Summary Historical Consolidated Financial Data." This momentum has continued in the most recent quarter, with non-GAAP revenue and Non-GAAP EBITDA less Cap SW growth of 3% and 14%, respectively, for the twelve months ended September 30, 2017 on a constant currency basis. By operating under a variable expense model in which more than 75% of our operating expenses (excluding depreciation and amortization expenses) are attributable to selling, marketing and personnel costs, we possess the ability to swiftly optimize costs in the case of recognized inefficiencies caused by changing market and industry conditions. We have at times taken restructuring actions to improve our cost structure and realign our cost base to the market environment, including reductions in workforce, relocation of job functions to lower-cost locations and changes to our organizational structure.

Our Products and Services

We are primarily organized into two business units, ZSO and ESO.

ZSO—Our ZSO business unit is comprised of a ZSolutions product line, which includes mainframe database development and management tools, performance management tools and IT event and log management tools. The ZSO business unit also includes the Select Technologies Group ("STG"), which holds end-of-life products. These solutions help our customers consistently meet service objectives while lowering the cost of mainframe, middleware and workload operations by: (i) increasing the availability of critical business applications; (ii) reducing hardware resource requirements; (iii) managing ever increasing data, transaction and task volumes with the same or reduced number of staff and (iv) mitigating the risk and cost associated with regulatory compliance issues facing mainframe, middleware and workload automation organizations.

ESO—Our ESO business unit consists of solutions for distributed, virtual and cloud IT environments. The core product lines in ESO include Digital Service Management, Security Operations, Performance and Analytics and Digital Business Automation. These products operate in the distributed IT environments that constitute the core of every large enterprise's IT operations. They help our customers achieve improved levels of speed, security, innovation and performance by making organizations more agile and by freeing up IT resources to invest in growth.

These business units are organized into five primary operating product lines.

	Product lines	*Primary products/ solutions*	*Market position*	*Primary competitors*	*Computing environment*
ZSO	**ZSolutions**	• Solutions for DB2 and IMS databases • *MainView*	• #1 market position • 29% market share	• IBM • CA	• Mainframe
ESO	**Digital Service Management**	• *Remedy* • *Remedy OnDemand* • *RemedyForce* • *Discovery for Multi-Cloud* • *Digital Workplace*	• #2 market position • 17% market share	• HPE / MicroFocus • CA • ServiceNow	• Distributed
ESO	**Security Operations**	• *Threat Director* • *BladeLogic* • *Atrium Orchestrator* • *Cloud Lifecycle Management*	• #3 market position • 10% market share	• HPE / MicroFocus • VMware • IBM	• Distributed
ESO	**Performance and Analytics**	• *TrueSight Operations* • *TrueSight Intelligence* • *TrueSight Cloud Cost Control*	• #8 market position • 4% market share	• HPE / MicroFocus • CA • Compuware • IBM • Microsoft	• Distributed
ESO	**Digital Business Automation**	• *Control-M*	• #2 market position • 17% market share	• IBM • CA	• Distributed

ZSO

In an increasingly complex IT landscape, the mainframe continues to serve as a cornerstone of the enterprise infrastructure, especially for industries with mission-critical, high-volume transactions, such as insurance, banking and government. Mainframe computers are highly scalable and stable, and therefore are ideal for transaction-oriented computing needs such as airline reservation systems and bank transaction processing. Specifically, mainframes are advantaged over x86-based hardware due to faster compute throughput between the central processing units and the storage centers, increased security driven by fewer integration points to third-party applications and higher availability, scalability and stability. While software applications are increasingly being delivered by servers, the data generated is frequently stored and processed on mainframes. According to IBM, 70-80% of the world’s corporate data is housed in mainframes.

ZSolutions. Our solutions support the efficient operation and utilization of data, applications and systems that support mission-critical business processes for many of the largest companies worldwide. Our solutions for DB2® and IMS™ databases help customers optimize performance and enhance recoverability of data housed in IBM's DB2® and IMS™ databases, while our *MainView* product monitors the mainframe operating system and software processes to facilitate problem identification and resolution.

Mainframe customers and hardware and software providers demonstrate their deep commitment by continuing to invest significantly in the platform. Mainframe customers are generally billed based on their highest capacity utilization as measured by millions of instructions per second ("MIPS") over any four hour period. Therefore, minimizing MIPS usage is critical for mainframe customers attempting to manage costs. Our mainframe product suite is designed to help customers use their mainframe software more efficiently to reduce MIPS usage and lower mainframe software spend, in addition to maintaining reliable operations and lowering overall system costs. These top-tier products provide our customers with industry leading features and functionality, and with 29% share of the Mainframe Database Development and Management Tools, Performance Management Tools and IT Event and Log Management Tools market according to IDC, we have the #1 market position.

ESO

Digital Service Management. The DSM platform is the central "portal" through which IT interacts with and ensures the overall health of the IT infrastructure. Our solutions in this area manage IT functions and processes such as the service desk, incident management, service request management, problem management, asset management, service level management and change and release management. These solutions improve IT service as perceived by business end-users, drive improvements in efficiency through application of best practices and drive down costs by helping end-users solve their own problems, reducing the number of calls to the service desk. Over the past few years, we have focused development resources on our DSM competitive offerings, including *Remedy OnDemand*, *RemedyForce* and *Remedy*, to reinforce our competitive position in the market. With 17% market share according to IDC, we have the #2 market position in DSM. Key products include *Remedy*, *Remedy OnDemand*, *RemedyForce*, *Discovery for Multi-Cloud* and *Digital Workplace*.

Security Operations. Security Operations solutions help automate manually-intensive and time-consuming IT processes such as provisioning, configuration change and compliance monitoring for servers, networks, applications and databases. Our solutions help IT departments cost-effectively manage increasingly complex and rapidly changing business needs. Introduced in fiscal year 2010, our *Cloud Lifecycle Management* ("CLM") solution is now in use by some of the world's largest public sector organizations and commercial enterprises. CLM integrates management of an organization's private, public and hybrid cloud environments into a single interface, resulting in a more efficient and automated cloud platform. CLM also features a self-service portal which manages compliance policies and monitors performance while delivering end-users a customized system supporting their individual needs and providing access to IT support. With 10% market share according to IDC, we have the #3 market position in Security Operations. Key products include *Threat Detector, BladeLogic, Atrium Orchestrator* and *Cloud Lifecycle Management*.

Performance and Analytics. Our Performance and Analytics solution suite manages IT functions and processes such as availability and performance management, event management, service impact management and capacity optimization, and provides proactive analytics to identify IT issues before end-users are affected by performance problems. Our solutions prioritize IT systems events based on business impact and help determine and initiate actions to quickly restore services to clients' IT systems. We were one of the first IT management leaders to bring business relevance to IT events in this market segment. Key products include *TrueSight Operations*, *TrueSight Intelligence* and *TrueSight Cloud Cost Control.*

Digital Business Automation. Digital Business Automation tools enable IT managers to orchestrate and optimize dispersed and disparate IT processes across multiple locations, platforms, and applications as well as provide a centralized platform for monitoring and managing workloads across physical, virtual and cloud computing environments. *Control-M*, our principal product, is distinctly advantaged because it functions across both mainframe and distributed environments allowing the customer to use a single solution for the vast majority of jobs across the organization. This capability allows scheduling, resource management, auditing and reporting to be managed from a single point of control. *Control-M* has significant growth potential driven by the expected market growth in distributed environments. With 17% market share according to IDC, we have the #2 market position in Digital Business Automation.

Concurrent Financing Transactions

On November 27, 2017, we announced the launch of a proposed debt refinancing with a $150.0 million term loan B add-on (the "New Term Loan B") and a new €240.0 million term loan (the "New Euro Term Loan"). In connection therewith, we intend to enter into an amendment to our existing senior secured credit facilities (the "Senior Secured Credit Facilities"), which is anticipated to (i) provide for a new tranche of Euro-denominated term loans having reduced interest rates (the "Foreign Euro Term Loans") that will refinance all of the Foreign Borrower's Euro-denominated term loans currently outstanding immediately prior to the effective date of such amendment (the "Amendment Effective Date"), (ii) provide for a new tranche of U.S. dollar-denominated term loans having reduced interest rates (the "U.S. Term Loans" and together with the Foreign Euro Term Loans, the "Term Loan Facilities") that will refinance all of the Issuer's U.S. dollar-denominated term loans currently outstanding immediately prior to the Amendment Effective Date and (iii) provide a reduction in the Revolving Facility (as defined herein) to $310 million.

The proceeds of the New Term Loan B will be used to fund the redemption of the outstanding 9.000%/ 9.750% Senior Contingent Cash Pay Notes due 2019 of Parent and the proceeds of the New Euro Term Loan will be used to repay all of the Foreign Borrower's $282 million outstanding under its U.S. dollar-denominated term loans (the "Foreign USD Term Loans").

The above transactions, together, are referred to as the "Concurrent Financing Transactions" herein. Consummation of this offering is not conditioned upon consummation of the Concurrent Financing Transactions. There can be no assurance that the consummation of the Concurrent Financing Transactions will occur.

Our Sponsors

Bain Capital. Bain Capital is a global private investment firm whose affiliates manage several pools of capital, including private equity, venture capital, public equity, high-yield assets and mezzanine capital, with over $75 billion in assets under management. Bain Capital has a team of approximately 400 professionals dedicated to investing and to supporting its portfolio companies.

Since its inception in 1984, funds sponsored by Bain Capital have made private equity investments and add-on acquisitions in more than 550 companies in a variety of industries around the world.

Golden Gate Capital. Golden Gate Capital is a San Francisco-based private equity investment firm with approximately $15.0 billion of capital under management. The principals of Golden Gate Capital have a long and successful history of investing with management teams across a wide range of industries and transaction types, including going-privates, corporate divestitures, and recapitalizations, as well as debt and public equity investments.

Golden Gate Capital is one of the most active software investors in the world, having invested in or acquired more than 60 software companies.

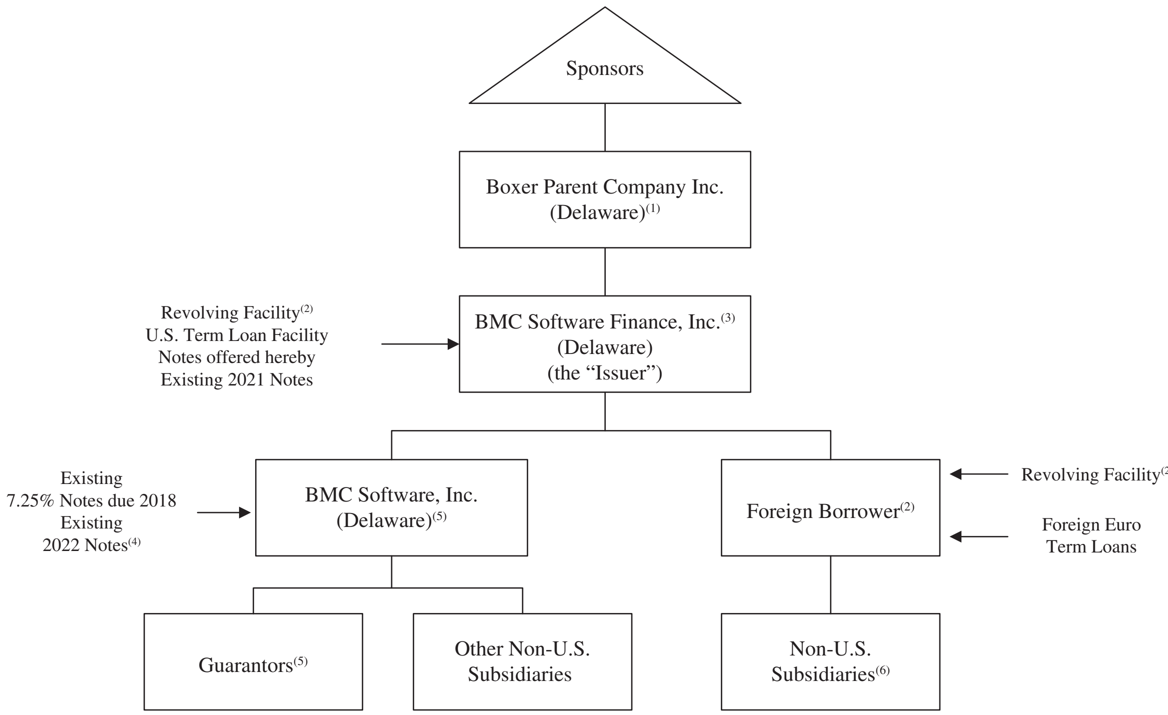
GIC Special Investments. GIC Special Investments Pte Ltd ("GICSI"), the private equity arm of GIC Private Limited ("GIC"), is one of the world's largest private equity investors, managing a multi-billion dollar portfolio of fund and direct investments on behalf of the Government of Singapore. GIC is a leading global investment firm with well over $100 billion in assets under management. Established in 1981, the firm manages Singapore's foreign reserves and is uniquely positioned for long-term and flexible investments across a wide range of asset classes, including public equities, fixed income, real estate, and private equity. In private equity, GIC invests through funds as well as directly in companies, partnering with its fund managers and management teams to help world class businesses achieve their objectives. GIC employs more than 1,300 people across 10 offices worldwide.

Insight Venture Partners. Insight Venture Partners is a leading global private equity and venture capital firm investing in software, eCommerce, internet and data-services companies. Founded in 1995, Insight has raised more than $13 billion and invested in more than 20 companies. Insight's mission is to find, fund and work successfully with visionary executives who are driving change in their industries. Insight provides them with practical, hands-on growth expertise to foster long-term success.

Elliott Associates. Elliott Associates, L.P. is the U.S. fund of Elliott Management Corporation ("Elliott Management"). Elliott Associates, L.P. was founded in 1977 and is one of the oldest hedge funds under continuous management. Employing a multi-strategy trading approach, Elliott Management manages approximately $22 billion in its two funds (Elliott Associates, L.P. and Elliott International Limited) for a range of investors, including pension plans, sovereign wealth funds, endowments, foundations, funds-of-funds, high net worth individuals and families, and employees of the firm. Elliott Management has 309 employees worldwide, with offices in New York, London, Hong Kong and Tokyo. Elliott Management focuses on employing detailed research to address complex investment situations and has considerable experience in the technology sector involving both public and private investments.

Corporate Structure

The chart below illustrates our expected basic corporate and debt structure after completion of this offering and the Concurrent Financing Transactions.



(1) Guarantor of the Senior Secured Credit Facilities. As of September 30, 2017, after giving effect to this offering and the Concurrent Financing Transactions, the Senior Secured Credit Facilities would have been comprised of $2,482 million of U.S. Term Loans, €924 million of Foreign Euro Term Loans and $310 million equivalent of U.S. dollar and multicurrency revolving loans and letters of credit (the "Revolving Facility").

(2) The Issuer and the Foreign Borrower are each borrowers under the existing $350.0 million equivalent Revolving Facility, prior to giving effect to this offering and the Concurrent Financing Transactions (*provided*, that the Foreign Borrower is not liable for any obligations of the Issuer). As of September 30, 2017, there was $27.4 million equivalent outstanding in support of letters of credit, guarantees and similar instruments under the Revolving Facility. The Issuer's and the Foreign Borrower's obligations under the Revolving Facility are guaranteed by the guarantors of the notes offered hereby.

(3) The Issuer is a Delaware corporation and a borrower under the Senior Secured Credit Facilities.

(4) Represents par value of $27.8 million of BMC Software's 4.5% senior notes due December 2022 and par value of $37.5 million of its 4.25% notes due February 2022 that remain outstanding at September 30, 2017.

(5) Guarantors of the notes offered hereby and the Senior Secured Credit Facilities. For the twelve months ended September 30, 2017, the non-guarantors accounted for approximately $275.0 million, or 36.2%, of our Non-GAAP EBITDA, including intercompany transactions, and as of September 30, 2017, our non-guarantors accounted for approximately $2,798.2 million, or 37.7%, of our consolidated assets, and approximately $2,348.2 million, or 28.8%, of our consolidated liabilities, each excluding intercompany balances.

(6) Guarantors of the Foreign Euro Term Loans and the obligations of the Foreign Borrower under the Revolving Facility.

Corporate Information

The Issuer is a Delaware corporation. Its principal corporate offices are located at 2103 CityWest Boulevard, Houston, Texas 77042-2827. Its main telephone number is (713) 918-8800. The Company's website is located at www.bmc.com. **The Company's website and the information contained on its website are not part of this offering circular.**

THE OFFERING

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of Notes" section of this offering circular contains a more detailed description of the terms and conditions of the notes.

Issuer	BMC Software Finance, Inc.
Notes Offered	€380.0 million aggregate principal amount of % Senior Notes due 2023 (the "notes").
Maturity Date	The notes will mature on , 2023.
Interest	Interest on the notes will accrue at a rate of % per annum. Interest on the notes will be payable semi-annually in cash in arrears on and of each year, commencing , 2018. Interest will accrue from December , 2017, the scheduled issue date of the notes.
Guarantees	The notes will be fully and unconditionally guaranteed on a senior unsecured basis by BMC Software Israel LTD, Identify Software LTD and each of the Issuer's existing and future wholly owned domestic restricted subsidiaries that guarantee the Senior Secured Credit Facilities.
Ranking	The notes and the note guarantees will be the Issuer's and the guarantors' general senior unsecured obligations and will, respectively: • rank equally in right of payment to all of the Issuer's and the guarantors' Existing 2021 Notes, BMC Software's 7.250% senior notes due 2018, BMC Software's 4.5% senior notes due December 2022 and BMC Software's 4.25% senior notes due February 2022 (collectively, the "Existing Notes"); • rank senior in right of payment to any of the Issuer's and the guarantors' future debt that is expressly subordinated in right of payment to the notes and the note guarantees; • be effectively subordinated to the Issuer's and the guarantors' secured indebtedness, including indebtedness under our Senior Secured Credit Facilities, to the extent of the value of the collateral securing such indebtedness; and • be structurally subordinated to all of the existing and future liabilities, including trade payables, of our subsidiaries that do not guarantee the notes. As of September 30, 2017, after giving effect to this offering, the application of the use of proceeds herefrom and the Concurrent Financing Transactions, the Issuer and the guarantors collectively would have outstanding $3,574 million of Senior Secured Credit Facilities, $20 million of capital leases and other obligations,

	unsecured obligations consisting of $2,340 million and an additional $283 million of unused commitments available to be borrowed under the Revolving Facility (after taking account of issued but undrawn letters of credit, if any). For the twelve months ended September 30, 2017, the non-guarantors accounted for approximately $275.0 million, or 36.2%, of our Non-GAAP EBITDA, including intercompany transactions, and as of September 30, 2017, our non-guarantors accounted for approximately $2,798.2 million, or 37.7%, of our consolidated assets, and approximately $2,348.2 million, or 28.8%, of our consolidated liabilities, each excluding intercompany balances.
Optional Redemption	On or after , 2019, we may redeem some or all of the notes at any time at the redemption prices described in the section "Description of Notes—Optional Redemption." Prior to such date, we also may redeem some or all of the notes at a redemption price of % of the principal amount plus accrued and unpaid interest, if any, to, but excluding, the redemption date, plus a "make-whole" premium. In addition, we may redeem up to 40% of the aggregate principal amount of the notes before , 2019 with the proceeds of certain equity offerings at a redemption price of % of the principal amount plus accrued and unpaid interest, if any, to, but excluding, the redemption date. For more details, see the section entitled "Description of Notes—Optional Redemption."
Change of Control	If we experience certain kinds of changes of control, we must offer to purchase the notes at 101% of their principal amount, plus accrued and unpaid interest. For more details, see the section "Description of Notes—Change of Control."
Mandatory Offer to Repurchase Following Certain Asset Sales	If we sell certain assets and do not repay certain debt or reinvest the proceeds of such sales within certain time periods, we must offer to repurchase the notes at the prices listed under "Description of Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock."
Certain Covenants	The indenture contains covenants that limit, among other things, our ability and the ability of some of our subsidiaries to: • incur additional indebtedness; • declare or pay dividends, redeem stock or make other distributions to stockholders; • make investments; • create liens or use assets as security in other transactions; • create dividend and other payment restrictions affecting their subsidiaries;

- merge or consolidate, or sell, transfer, lease or dispose of substantially all of our assets;
- enter into transactions with affiliates; and
- sell or transfer certain assets.

These covenants are subject to a number of important qualifications and limitations. See "Description of Notes—Certain Covenants." In addition, certain of these covenants will be suspended for so long as the notes have investment grade ratings from either Moody's Investors Service, Inc. or Standard & Poor's Ratings Services. See "Description of Notes—Certain Covenants."

Transfer Restrictions	The notes have not been registered under the Securities Act and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
No Registration Rights	The notes have not been and will not be registered under the Securities Act or any state securities laws. The notes may not be offered or sold except under an exemption from, or in a transaction not subject to, the Securities Act or applicable state securities laws.
Absence of an Established Market for the Notes	The notes will be a new class of securities for which there is currently no market. Although each initial purchaser of the notes has informed us that it intends to make a market in the notes, the initial purchasers are not obligated to do so, and may discontinue market-making activities at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will develop or be maintained. We do not intend to list the notes on any U.S. securities exchange.
Listing	We will apply to list the notes on the Official List of TISE and to admit the notes for trading on the Official List of TISE. There can be no assurance that the notes will be listed and admitted for trading on the Official List of TISE.
Use of Proceeds	The net proceeds from the offering of the notes, together with borrowings under out new Term Loan B add-on and cash on hand, will be used to fund the redemption of the outstanding 9.000%/ 9.750% Senior Contingent Cash Pay Notes due 2019 of our parent, Boxer Parent Company Inc., to pay all fees and expenses related thereto and in connection with this offering and for general corporate purposes. See "Use of Proceeds."
Denominations	The notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.
Governing Law	The notes, the note guarantees and the Indenture governing the notes will be governed by New York law.

You should refer to the section entitled "Risk Factors" for an explanation of certain risks of investing in the notes.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table presents summary historical consolidated financial data of the Company for the periods and as of the dates indicated. The statements of operations data for the fiscal years ended March 31, 2016 and 2017 and the balance sheet data as of March 31, 2016 and 2017 set forth below are derived from the Company's audited consolidated financial statements and the notes thereto, which are included elsewhere in this offering circular. The statements of operations data for the fiscal year ended March 31, 2015 are derived from the Company's audited consolidated financial statements and the notes thereto, which are not included in this offering circular. The statements of operations data for the six months ended September 30, 2016 and 2017 and the balance sheet data as of September 30, 2017 are derived from the unaudited condensed consolidated financial statements and the notes thereto, which are included elsewhere in this offering circular. We derived the summary historical consolidated financial data for the twelve month period ended September 30, 2017 by adding the consolidated financial data for the fiscal year ended March 31, 2017, to the financial data for the six month period ended September 30, 2017 and subtracting the financial data for the six month period ended September 30, 2016.

The summary historical consolidated financial data presented below should be read together with the Company's audited and unaudited consolidated financial statements and the notes thereto, included elsewhere in this offering circular, and the sections entitled "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Company's historical results included below and elsewhere in this offering circular are not necessarily indicative of the Company's future performance.

	Year Ended March 31,			Six Months Ended September 30,		Twelve Months Ended September 30,
	2015	2016	2017	2016	2017	2017
	(in millions)					
Consolidated Statements of Operations Data:						
Revenue:						
Perpetual license	$ 350.0	$ 359.9	$ 364.5	$ 141.7	$ 142.9	$ 365.7
Perpetual maintenance and SaaS	757.1	819.8	895.9	445.9	459.8	909.8
Term license and maintenance	221.3	293.0	373.2	175.3	220.1	418.0
Professional services	128.7	110.1	104.9	52.4	49.8	102.3
Total revenue	1,457.1	1,582.8	1,738.5	815.3	872.6	1,795.8
Operating expenses:						
Cost of license, maintenance and SaaS revenue	226.1	240.8	245.6	117.2	115.2	243.6
Cost of professional services revenue	138.0	110.3	94.4	48.0	44.1	90.5
Selling and marketing expenses	587.8	554.5	553.1	266.9	264.1	550.3
Research and development expenses	130.2	160.2	166.9	85.0	72.9	154.8
General and administrative expenses	206.9	184.6	165.8	81.1	82.7	167.4
Depreciation and amortization expenses	489.3	517.8	530.9	265.2	260.3	525.9
Gain on patent litigation, net(1)	—	—	(215.0)	(215.0)	—	—
Total operating expenses	1,778.3	1,768.2	1,541.7	648.4	839.3	1,732.5
Operating income (loss)	(321.2)	(185.4)	196.8	166.9	33.3	63.3
Other income (expense), net:						
Other income (expense), net	21.3	(4.2)	1.1	(9.0)	(70.6)	(60.5)
Interest expense, net	(380.2)	(363.5)	(368.1)	(186.6)	(189.2)	(370.8)
Total other expense, net	(358.9)	(367.7)	(367.0)	(195.6)	(259.8)	(431.3)
Loss before income taxes	(680.1)	(553.1)	(170.2)	(28.7)	(226.5)	(368.0)
Provision (benefit) for income taxes	(239.1)	(155.3)	(100.5)	16.0	(85.8)	(202.5)
Net loss	$ (441.0)	$ (397.8)	$ (69.7)	$ (44.7)	$(140.7)	$ (165.5)

	As of March 31,		As of September 30,
	2016	2017	2017
	(in millions)		
Consolidated Balance Sheets Data:			
Cash and cash equivalents	$ 410.0	$ 628.4	$ 579.2
Total assets	8,099.8	7,886.9	7,413.1
Total borrowings(2)	5,435.1	5,277.0	5,331.9
Total stockholder's deficit	(378.7)	(568.5)	(733.5)

	Year Ended March 31,			Twelve Months Ended September 30,
	2015	2016	2017	2017
		(in millions)		
Credit Statistics:				
Non-GAAP EBITDA(3)	$703.4	$640.4	$714.8	$760.7
Consolidated EBITDA(3)	837.6	692.5	727.6	772.1
As adjusted total net debt as of September 30, 2017				5,374
As adjusted cash interest expense(4)				319
Ratio of as adjusted total net debt to Consolidated EBITDA(5)				7.0x
Ratio of Consolidated EBITDA to as adjusted cash interest expense(6)				2.4x

	Year Ended March 31,			Twelve Months Ended September 30,
	2015	2016	2017	2017
		(in millions)		
Other Financial Data (in constant currency)(7):				
Total bookings	$1,812.5	$1,788.6	$2,083.7	$2,044.1
ZSolutions (Trailing 36 months)	1,425.1	1,360.9	1,385.5	1,400.3
ESO	1,265.8	1,269.1	1,392.3	1,339.6
New product bookings	662.7	759.3	779.2	738.5
Total non-GAAP revenue by business unit				
ZSolutions	$ 449.1	$ 457.9	$ 473.3	$ 482.3
STG	31.5	20.3	14.0	11.3
Total ZSO	480.6	478.2	487.3	493.6
ESO	1,167.7	1,207.0	1,254.9	1,271.2
Professional Services	123.2	107.7	104.1	101.4
Total	$1,771.5	$1,792.9	$1,846.3	$1,866.2
Total non-GAAP revenue by type				
Perpetual license	$ 373.1	$ 377.0	$ 371.9	$ 370.4
Perpetual maintenance and SaaS	872.1	886.0	917.4	922.2
Term license and maintenance	403.1	422.2	452.9	472.2
Professional services	123.2	107.7	104.1	101.4
Total	$1,771.5	$1,792.9	$1,846.3	$1,866.2
Contribution margin(8)				
ZSolutions	$ 285.3	$ 296.5	$ 308.5	$ 317.3
ESO	415.1	470.8	521.3	548.3
Non-GAAP EBITDA:				
Non-GAAP EBITDA(9)	$ 647.9	$ 633.7	$ 699.4	$ 744.1
Capitalized software and SaaS development costs ("Cap SW")(10)	119.0	48.3	27.3	29.2
Non-GAAP EBITDA less Cap SW(11)	529.0	585.4	672.1	714.9

(1) Represents the gain recognized as a result of the confidential settlement agreement entered into during the year ended March 31, 2017 and the six months ended September 30, 2016 with ServiceNow, Inc. ("ServiceNow") to resolve the patent infringement litigation, net of contingent third-party legal fees incurred.

(2) Total borrowings includes current and non-current portions of long-term borrowings and \$8.1 million, \$10.3 million and \$11.3 million of capital leases and other obligations included in accrued liabilities as of March 31, 2016 and 2017 and September 30, 2017, respectively.

(3) We believe that the presentation of Non-GAAP EBITDA provides meaningful supplemental information regarding our operating results because it excludes amounts that management and the Board of Directors do not consider part of core operating results when assessing the performance of the organization.

Additionally, we believe that the presentation of Consolidated EBITDA is useful to debt holders and other interested parties because it provides additional information to measure our performance and evaluate our ability to service our debt, consistent with the definition of Consolidated EBITDA in our Senior Secured Credit Facilities, the indenture governing our Existing 2021 Notes and the Indenture governing the notes.

While we believe that these non-GAAP financial measures provide useful supplemental information, there are limitations associated with the use of these non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with GAAP, do not reflect a comprehensive system of accounting and may not be completely comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation between companies. Items that are excluded from our non-GAAP financial measures can have a material impact on net income (loss). As a result, these non-GAAP financial measures should not be considered in isolation from, or as a substitute for, net income (loss), cash flow from operations or other measures of performance prepared in accordance with GAAP. We compensate for these limitations by using these non-GAAP financial measures as supplements to GAAP financial measures and by reconciling the non-GAAP financial measures to their most comparable GAAP financial measure. The reconciliation of net loss to Non-GAAP EBITDA and Consolidated EBITDA for the periods presented is as follows:

	Year Ended March 31,			Six Months Ended September 30,		Twelve Months Ended September 30,
	2015	**2016**	**2017**	**2016**	**2017**	**2017**
	(in millions)					
Net loss	$(441.0)	$(397.8)	$ (69.7)	$ (44.7)	$(140.7)	$(165.5)
Other expense, net	358.9	367.7	367.0	195.6	259.8	431.3
Provision (benefit) for income taxes	(239.1)	(155.3)	(100.5)	16.0	(85.8)	(202.5)
Depreciation and amortization expenses	489.3	517.8	530.9	265.2	260.3	525.9
Share-based compensation expense(a)	52.8	28.1	40.1	21.4	22.1	40.9
Acquisition integration and related costs(b)	18.3	2.2	0.1	—	—	—
Severance, restructuring and other costs(c)	21.0	25.8	22.5	8.2	7.8	22.1
Sponsor management fees(d)	10.5	10.7	11.1	5.2	5.2	11.2
Patent litigation costs(e)	3.5	9.3	1.4	0.3	3.2	4.3
Gain on patent litigation, net(f)	—	—	(215.0)	(215.0)	—	—
Certain legal, settlement and related costs(g)	—	—	6.4	1.8	0.6	5.2
Purchase accounting impact of the Acquisition:						
Perpetual license revenue(h)	47.8	22.1	9.5	5.3	3.2	7.3
Perpetual maintenance and SaaS revenue(h)	165.8	72.8	27.9	16.7	9.3	20.7
Term license and maintenance revenue(h)	216.7	137.4	86.3	49.3	24.7	61.6
Professional services revenue(h)	7.6	1.2	0.7	0.5	0.2	0.5
Deferred costs and other expenses(h)	(8.7)	(1.6)	(3.9)	(2.4)	(0.9)	(2.3)
Non-GAAP EBITDA	$ 703.4	$ 640.4	$ 714.8	$ 323.4	$ 369.0	$ 760.7
Actioned cost savings(i)	117.4	32.4	3.0			0.6
Additional Credit Agreement and Indenture adjustments(j)	16.8	19.7	9.8			10.8
Consolidated EBITDA	$ 837.6	$ 692.5	$ 727.6			$ 772.1

(a) ***Share-based compensation expense.*** Represents share-based compensation expense related to the granting of share-based awards to key employees by the Company.

(b) ***Acquisition integration and related costs.*** Represents acquisition integration and related costs consisting primarily of outside financial advisory, legal and consulting fees.

(c) ***Severance, restructuring and other costs.*** Primarily represents severance, restructuring and other costs, and any subsequent changes in estimates, related to initiatives taken to reduce our cost structure and enhance operating effectiveness, improve profitability and eliminate certain redundancies. These activities impacted different functional areas of our operations in different locations and were undertaken to meet specific business objectives. Other costs also include expenses associated with the Company's adoption of new accounting standards.

(d) ***Sponsor management fees.*** Represents amounts paid to the Sponsors pursuant to the terms of an advisory and payment agreement.

(e) ***Patent litigation costs.*** Represents third-party legal fees and other costs incurred to defend the Company's intellectual property.

(f) ***Gain on patent litigation, net.*** Represents proceeds received as a result of the confidential settlement agreement entered into during the year ended March 31, 2017 and the six months ended September 30, 2016 with ServiceNow to resolve the patent infringement litigation, net of contingent third-party legal fees incurred.

(g) ***Certain legal, settlement and related costs.*** Represents legal, settlement and related costs associated with specific matters that the Company does not consider part of its core operations or operating results.

(h) ***Purchase accounting impact of the Acquisition.*** Represents the net revenues and certain operating expenses (primarily representing the expense associated with deferred commissions and royalties) that would have been recognized had the Company not recorded adjustments to fair value in connection with the purchase accounting for the Acquisition. This adjustment for fiscal years 2015, 2016 and 2017 excludes $91.3 million, $61.6 million and $30.2 million, respectively, of pro forma amortization expense related to the pre-Acquisition capitalization of software development costs for internally developed products that would have been recognized in these periods, which has no impact on EBITDA. This adjustment for the six months ended September 30, 2016 and 2017 and the twelve months ended September 30, 2017 excludes $18.1 million, $4.0 million and $16.1 million, respectively, of pro forma amortization expense related to the pre-Acquisition capitalization of software development costs for internally developed products that would have been recognized in these periods, which has no impact on EBITDA.

(i) ***Actioned cost savings.*** Represents cost saving initiatives, including reductions in headcount and employee-related costs, that had already been taken or initiated on or before the end of the respective periods.

(j) ***Additional Credit Agreement and Indenture adjustments.*** Represents additional adjustments included in the determination of Consolidated EBITDA (as defined in the Senior Secured Credit Facilities, the indenture governing the Existing 2021 Notes and the Indenture governing the notes), which include items such as add backs of certain expenses and one-time costs.

(4) As adjusted cash interest expense consists of as adjusted interest expense, excluding the original issue discount and debt issuance costs amortized during that period. As adjusted cash interest expense is calculated by applying an assumed weighted average annual interest rate of 5% to our as adjusted total debt. A 0.125% change in the assumed weighted average annual interest rate would result in a $7 million change to as adjusted cash interest expense.

(5) Represents the ratio of face value of as adjusted total debt, net of cash and cash equivalents, as of September 30, 2017, to Consolidated EBITDA for the twelve months ended September 30, 2017.

(6) Represents the ratio of Consolidated EBITDA to as adjusted cash interest expense for the twelve months ended September 30, 2017.

(7) Constant currency metrics have been calculated by applying foreign currency exchange rates in effect on April 1, 2017 to current and prior period results. Such exchange rates are primarily USD:EUR of 1.07, USD:GBP of 1.26, INR:USD of 65, BRL:USD of 3.1 and USD:AUD of 0.76.

(8) Contribution margin represents non-GAAP revenue less direct and indirect costs allocated to each business unit consistent with how we evaluate business unit results internally.

(9) Represents Non-GAAP EBITDA as discussed in (3) above, presented in constant currency.

(10) Represents the costs of software and SaaS developed internally for licensing to third parties that are capitalized for accounting purposes. Beginning in fiscal 2016, the Company adopted more agile research

and development methods for the majority of its product lines, which had the effect of decreasing the amounts of software development costs capitalized and increasing operating expenses.

(11) Due to the effect of agile development on the Company's operating expenses and Non-GAAP EBITDA, the Company also evaluates Non-GAAP EBITDA excluding the impacts of capitalized software and SaaS development costs.

RISK FACTORS

This offering of notes involves a high degree of risk. You should carefully consider the risks and uncertainties described below and other information included in this offering circular before purchasing the notes offered hereby. Additional risks that are not currently known to us or that we currently consider immaterial may also adversely impact our business. If any of the events described below occur, our business, financial condition, operating results and prospects could be materially adversely affected. You could lose all or part of your investment in the notes.

Risks Relating to Our Business

Competition from large, powerful multi-line and small, agile single-line competitors could have a negative impact on our business and financial results.

Some of our largest competitors, including IBM, CA and HPE/MicroFocus, have significant scale advantages. With scale comes a large installed base of customers in particular market niches, as well as the ability to develop and market software that is competitive with ours. Some of these competitors can also bundle hardware, software and services together, which is a disadvantage for us because we are not a hardware provider and have fewer services offerings. Competitive products are also offered by numerous independent software companies that specialize in specific aspects of the highly fragmented software industry. Some, like Microsoft Corporation, Oracle Corporation and VMWare, are the leading developers and vendors in their specialized markets and others, like ServiceNow and Compuware, have recently gained market share in some areas in which we have product offerings. In addition, new companies enter the market on a frequent and regular basis, offering products that compete with some individual products offered by us. Market entrants utilizing alternative business models such as SaaS, cloud computing or open source software also compete against us. As the use of open source software becomes more widespread, certain open source technology could become competitive with our proprietary technology, which could cause sales of our products to decline or force us to reduce the fees we charge for our products. Other data center vendors may expand into systems management to complement their existing offerings. Additionally, many customers historically have developed their own products that compete with those offered by us. Competition from any of these sources can result in price reductions or displacement of our products, which could have a material adverse effect on our business, financial condition, operating results and cash flows.

Our cloud and SaaS offerings bring new business and operational risks.

We have introduced multiple new products and technology initiatives to provide systems management solutions in the emerging area of cloud computing. We include in this category our SaaS offerings. Our SaaS offerings provide our customers with existing and new software management through a hosted service as opposed to traditional software deployments. There can be no assurance that SaaS revenue will be significant in the future despite our levels of investment. There is a risk that our SaaS offerings may reduce demand for licenses and maintenance of our traditional software products, which could impact our revenue. Additionally, margins associated with our SaaS offerings are generally lower than margins associated with our on-premise solutions. Our customers may not renew their subscriptions after the expiration of their subscription agreements and in fact, some customers elect not to do so. In addition, our customers may opt for a lower-priced edition of our offerings or for fewer subscriptions. We have limited historical data with respect to rates of customer subscription renewals, so we cannot accurately predict customer renewal rates. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our services and their ability to continue their operations and spending levels. If we experience a decline in the renewal rates for our customers or they opt for lower-priced editions of our offerings or fewer subscriptions, our operating results may be adversely impacted. There is also a risk that our internal development and customer support teams could find it difficult or costly to support both traditional software installed by customers and software delivered as a service. To the extent that our new SaaS offerings are defective or there are disruptions to our services, demand for our SaaS offerings could diminish and we could be subject to substantial liability. In addition, interruptions or delays in service from our third-party service delivery hosts could impair the delivery of our services and harm our business. If we or our third-party service delivery hosts experience security breaches and unauthorized access is obtained to a customer's data or our data, our services may be perceived as not being secure, customers may curtail or stop using our services and we may incur significant legal and financial exposure and liabilities.

Our success in the emerging area of cloud computing depends on organizations and customers perceiving technological and operational benefits and cost savings associated with the increasing adoption of virtual infrastructure solutions for on-premise data centers as well as for cloud computing and end user computing. Concerns about security, privacy, availability, data integrity, retention and ownership may negatively impact the rate of adoption of cloud computing. Cloud computing environments are complex and the deployment of our systems management solutions in the cloud may require additional professional services and implementation services for which we may not have the ability to provide at an appropriate margin. In the cloud, our products are dependent upon third-party hardware, software and cloud hosting vendors, all of which must interoperate for end users to achieve their computing goals. Since the cloud computing market is in the early stages of development, we expect other companies to enter this market and to introduce their own initiatives that may compete with, or not be compatible with, our cloud solutions. Additionally, operating margins on our new initiatives may be lower than those we have achieved in our more mature product markets, and our new initiatives may not generate sufficient revenue to recoup our investments in them. If any of these events were to occur, it could adversely affect our business, results of operations and financial condition.

We may have difficulty achieving our cash flow from operations goals.

Our quarterly cash flow is and has been volatile. Factors that could adversely affect our cash flow in the future include: lengthening sales cycles; a reduction in the size of transactions; the timing of transaction completion, billings and associated cash collections within a particular period; longer customer payment terms; an increase in late payments by customers; an increase in uncollectible accounts receivable; increased expenses; reduced net earnings; a significant shift from multi-year committed contracts to short-term contracts; a reduced ability to transfer finance receivables to third parties; an increase in contracts where internal costs such as sales commissions are paid upfront but payments from customers are collected over time; reduced renewal rates for maintenance; an increase in cash taxes; payments for legal actions, costs, fees or settlements; restructuring payments; the impact of changing foreign currency exchange rates; and reduced yields on investments and cash equivalents. If our cash flow was to decline, our financial condition and results of operations could be materially adversely impacted.

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

Our business is influenced by a range of factors that are beyond our control and that we have no comparative advantage in forecasting. These include:

- general economic and business conditions;
- the overall demand for software and services;
- governmental budgetary constraints or shifts in government spending priorities; and
- general political developments.

Macroeconomic developments such as previous recessions in the U.S. and Europe and debt crises in certain countries in the European Union could negatively affect our business, operating results or financial condition. A general weakening of, and related declining corporate confidence in, the global economy or the curtailment in government or corporate spending could cause current or potential customers to reduce their information technology budgets or be unable to fund software and services purchases, which could cause customers to delay, decrease or cancel purchases of our products and services or cause customers not to pay us or to delay paying us for previously purchased products and services.

In addition, political unrest in regions like the Middle East, terrorist attacks around the globe and the potential for other hostilities in various parts of the world, potential public health crises and natural disasters continue to contribute to a climate of economic and political uncertainty that could adversely affect our results of operations and financial condition, including our revenue growth and profitability.

Maintenance revenue could decline.

Maintenance revenue is an important source of recurring revenue, and we invest significant resources to provide maintenance and support services to our customers. Maintenance fees generally increase as the licensed capacity increases; consequently, we generally receive higher absolute maintenance fees with new license and maintenance agreements and as existing customers license our products for additional processing capacity. Price competition on enterprise transactions can lead to increased discounting for higher levels of supplemental processing capacity; the maintenance fees on a per unit of capacity basis are typically reduced in enterprise license agreements. In addition, customers are generally entitled to reduced annual maintenance fees for entering into long-term maintenance contracts. Declines in our license bookings, increases in the proportion of long-term maintenance contracts and/or increased discounting could lead to declines in our maintenance revenue and corresponding growth rates. Should customers migrate from systems and applications that our products support, utilize alternatives to our products, including maintenance-free solutions such as on demand, or become dissatisfied with our maintenance services, increased cancellations could lead to declines in our maintenance revenue. As maintenance revenue makes up a substantial portion of our total revenue, any decline in our maintenance revenue could have a material adverse effect on our business, financial condition, operating results and cash flows.

Risks associated with our professional services business could impact our business results.

There are a number of risks associated with our professional services business, which could impact our ability to deliver high quality services and which could impact our business results. These include the availability of and our ability to engage quality labor resources, both as employees and as third-party contractors, incremental costs associated with third-party contractors, the complexity of services engagements, contractual risks, pricing and bidding risks and potential cost overruns. If we are not able to effectively manage our professional services business, it could have a material adverse effect on our reputation and our operating results, including our profit margin.

Industry consolidation could affect prices or demand for our products.

The IT industry and the market for our systems management products are very competitive due to a variety of factors. As the enterprise systems software market matures, it is consolidating. This trend could create opportunities for larger companies, such as IBM, HPE/MicroFocus, Microsoft, Oracle and other large enterprise software and hardware companies, to increase their market share through the acquisition of companies that dominate certain lucrative market niches or that have loyal installed customer bases. In doing so, these competitors may be able to reduce prices on software that competes with our solutions, in part by leveraging their larger economies of scale. Consolidation also may permit competitors to offer a broader suite of products and more comprehensive bundled solutions, including hardware, software and services. We expect this trend towards consolidation to continue as companies attempt to maintain or extend their market and competitive positions in the rapidly changing software industry and as companies are acquired or are unable to continue operations. This industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could lead to more variability in our operating results due to lengthening of the customer evaluation process, increased pricing pressure and/or loss of business to these larger competitors, which may materially and adversely affect our business, financial condition, operating results and cash flows.

We are subject to risks related to our business combinations.

As part of our overall strategy, we have acquired or invested in, and intend to continue to acquire or invest in, complementary companies, products and technologies. Risks commonly encountered in such transactions include:

- we may not retain and integrate key technical, sales and managerial personnel;
- we may not assimilate the personnel, culture and operations of the combined companies, including back-office functions and systems, such as accounting, human resources and others, into our own back-office functions and systems;
- we may not be able to integrate the acquired technologies or products with our current products and technologies;
- our ongoing business could be disrupted, including management being distracted from other objectives, opportunities and risks;
- we may not maximize our financial and strategic position through the successful integration of acquired businesses;
- our policies, procedures and controls may not be applied to the acquired entity in a timely manner following the acquisition;
- relationships with the acquired entity's customers, partners or vendors might degrade, creating challenges for us to meet the objectives of the acquisition;
- our pre-acquisition due diligence may fail to identify technology issues, such as problems with software code, architecture or functionality, intellectual property ownership issues, employment or management issues, customer or partner issues, errors or irregularities in the accounting or financial reporting of the target, unknown liabilities of the target, legal contingencies, compliance failures or other issues;
- revenue from acquired companies, products and technologies may not meet our expectations;
- our use of cash to pay for acquisitions may limit other potential uses of our cash; and
- our chosen strategy leading to the acquisition may not be the appropriate strategy or our resources may be better utilized developing technology via internal product development.

In order for us to maximize the return on our investments in acquired companies, the products of these entities must be integrated with our existing products and strategies. These integrations can be difficult and unpredictable, especially given the complexity of software and that acquired technology is typically developed independently and may not have been designed to integrate with our products. The difficulties are compounded when the products involved are well-established because compatibility with the existing base of installed products must be preserved. Successful integration also requires coordination of different development and engineering teams. This too can be difficult and unpredictable because of possible cultural conflicts and different opinions on technical decisions and product roadmaps. There can be no assurance that we will be successful in our product integration efforts or that we will realize the expected benefits.

Our products must remain compatible with ever-changing operating and database environments.

IBM, HPE/MicroFocus, Microsoft and Oracle are by far the largest suppliers of systems management and database software and, in some cases, are the manufacturers of the computer hardware systems used by most of our customers. Historically, operating and database system developers have modified or introduced new operating systems, database systems, systems software and computer hardware. Such new products could incorporate features that perform functions currently performed by our products or could require substantial modification of our products to maintain compatibility with these companies' hardware or software. There can be no assurance that we will be able to adapt our products and our business to changes introduced by hardware manufacturers and operating and database system software developers. Operating and database system software developers have in the past provided us with early access to versions of their software, before making such software generally available, to have input into the functionality and to ensure that we can adapt our software to exploit new functionality in these systems. Some companies, however, may adopt more restrictive policies in the future or impose unfavorable terms and conditions for such access. These restrictions may result in higher research and development costs for us in connection with the enhancement and modification of our existing products and the development of new products. Failure to adapt our products in a timely manner to changes in operating and database systems, or any product quality and performance issues with the underlying databases or operating systems resulting in degradation of our products' quality and performance, could influence customer decisions to forego the use of our products in favor of those with comparable functionality offered by competitors or within the operating system and database functionality itself, which could result in a material adverse effect on our business, financial condition, operating results and cash flows.

Future product development is dependent upon access to and reliability of third-party software products and open source software.

Certain of our software products contain components developed and maintained by third-party software vendors. We expect that we may have to incorporate software from third-party vendors in our future products. We also incorporate open source software in certain of our software products. We may not be able to replace the functionality provided by the third-party or open source software currently offered with our products if that software becomes obsolete, defective, non-compliant with third-party patent restrictions or incompatible with future versions of our products or is not adequately maintained or updated, or if our relationship with the third-party vendor terminates.

In addition, we must carefully monitor and manage our use of, and compliance with the licensing requirements of, open source software. Any significant interruption in the availability of these third-party software products on commercially acceptable terms, defects in these products, non-compliance with third-party patent restrictions or our inability to comply with the licensing terms of either third-party commercial software or open source software could delay development of future products or enhancement of existing products and could have a material adverse effect on our business, financial condition, operating results and cash flows.

Future product development is dependent on adequate research and development resources.

In order to remain competitive, we must continue to develop new products and enhancements to our existing products. This is particularly true as we further expand our cloud and SaaS offerings and capabilities. Maintaining adequate research and development resources to meet the demands of the market is essential, and failure to do so could present an advantage to our competitors. If we are unable to develop products due to certain constraints, such as high employee turnover, lack of management ability or a lack of other development resources, including through third-party outsourcing firms, our competitiveness could be harmed.

Discovery of errors in our software could adversely affect our business.

The software products we offer are inherently complex. Despite testing and quality control, we cannot be certain that errors will not be found in current versions, new versions or enhancements of our products after commencement of commercial delivery. If new or existing customers have difficulty deploying our products or require significant amounts of customer support, our operating margins could be harmed. Moreover, we could face possible claims and higher development costs if our software contains undetected errors or if we fail to meet our customers' expectations. With our current solutions strategy, these risks increase because we are combining already complex products to create solutions that are even more complicated than the aggregation of their product components. Significant technical challenges could also arise with our products because our customers purchase and deploy our products across a variety of computer platforms and integrate them with a number of third-party software applications and databases. These combinations increase our risk further because, in the event of a system-wide failure, it may be difficult to determine which product is at fault; thus, we may be harmed by the failure of another supplier's products.

As a result of the foregoing, we could experience loss of or delay in revenue and loss of market share; loss of customers; damage to our reputation; failure to achieve market acceptance; diversion of development resources; increased service and warranty costs; legal actions by customers against us, which could, whether or not successful, increase costs and distract our management; and increased insurance costs.

We are subject to risks associated with our indirect distribution channels.

A portion of our revenue is derived from the sale of our products and services through indirect distribution channels such as resellers, systems integrators and strategic partners. In addition, we maintain strategic agreements with hardware vendors permitting them to sell our software solutions as part of their hardware systems. Conducting business through indirect distribution channels presents a number of risks, including:

- our indirect channel partners typically can cease marketing our products and services with limited or no notice and with little or no penalty;
- we may not be able to replace existing or recruit additional indirect channel partners if we lose any of our existing ones;
- our existing indirect channel partners may not be able to effectively sell new products and services that we may introduce;
- we do not have direct control over the business practices, compliance programs and processes or risk management policies adopted by our indirect channel partners and they may engage in inappropriate practices without our knowledge, which could result in penalties and/or reputational damage to us;
- our indirect channel partners may not be able to deliver the same quality or standard of services that we do, which may require us to engage with their customers at a direct cost to us to protect our product and services standards and reputation;
- our indirect channel partners may also offer competitive products and services through acquisition or internal development and as such, may not give priority to the marketing of our products and services as compared to our competitors' products;
- we may face conflicts between the activities of our indirect channels and our direct sales and marketing activities;
- our indirect channel partners may experience financial difficulties that may impact their ability to market our products and may lead to delays, or even default, in their payment obligations to us; and
- we also depend on our indirect channel partners for accurate and timely reporting of our channel sales; any disruption, delay or under-reporting by our indirect channel partners could have an adverse effect on our bookings, revenues and cash flows.

Changes to our sales organization can be disruptive and may negatively impact our results of operations.

From time to time, we make significant changes in the organizational structure and compensation plans of our sales organizations, which may increase the risk of sales personnel turnover. To the extent that we experience turnover within our direct sales force or sales management, there is a risk that the productivity of our sales force would be negatively impacted, which could lead to revenue declines. Turnover within our sales force can cause disruption in sales cycles leading to delay or loss of business. In addition, it can take time to implement new sales management plans and to effectively recruit and train new sales personnel. We review and modify our compensation plans for the sales organization periodically. Changes to our sales compensation plans could make it difficult for us to attract and retain top sales talent.

Changes in tax law, changes in our effective tax rate or exposure to additional income tax liabilities could affect our profitability and financial condition.

The taxing jurisdictions we are subject to or operate under may be subject to significant change. Changes in tax laws or tax rulings, or changes in interpretations of existing laws, could materially affect our financial position and results of operations. Many countries in Europe and lsrael, as well as a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could significantly increase our tax obligations in many countries where we do business or require us to change the manner in which we operate our business. In addition, tax changes are currently under consideration by the U.S. Congress. While the final result is unknown, certain changes to U.S. tax laws, including limitations on interest deductibility and limitations on the ability to defer U.S. taxation on earnings outside of the United States until those earnings are repatriated to the United States, could affect the tax treatment of our earnings.

We carry out our business operations through entities in the U.S. and multiple foreign jurisdictions. As such, we are required to file corporate income tax returns that are subject to U.S., state and foreign tax laws. Our U.S., state and foreign tax liabilities are determined, in part, by the amount of operating profit generated in these different taxing jurisdictions. Our effective tax rate, earnings and operating cash flows could be adversely affected by changes in the mix of operating profits generated in countries with higher statutory tax rates as well as by the positioning of our cash balances globally. Similarly, if statutory tax rates or tax bases were to increase or if changes in tax laws, regulations or interpretations were made that impact us directly, our effective tax rate, earnings and operating cash flows could be adversely impacted. We are also required to evaluate the realizability of our deferred tax assets. This evaluation requires that our management assess the positive and negative evidence regarding sources of future taxable income. If management's assessment regarding the realizability of our deferred tax assets changes, we will be required to increase our valuation allowance, which will negatively impact our effective tax rate and earnings. We are also subject to routine corporate income tax audits in multiple jurisdictions. Our provision for income taxes includes amounts intended to satisfy income tax assessments that may result from the examination of our corporate tax returns that have been filed in these jurisdictions. The amounts ultimately paid upon resolution of these examinations could be materially different from the amounts included in the provision for income taxes and result in additional tax expense and operating cash outflows.

Economic conditions and regulatory changes that may result from the United Kingdom's likely exit from the European Union could adversely affect our business, financial condition and results of operations.

In June 2016, the United Kingdom (the "U.K.") held a referendum in which voters approved an exit from the European Union, commonly referred to as "Brexit." The announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. The announcement of Brexit and likely withdrawal of the U.K. from the European Union may also create further global economic uncertainty, which may cause our current and future customers to closely monitor their costs and reduce their spending on our products and services.

On March 29, 2017, the U.K. gave formal notice of its intention to leave the European Union This notice triggers the process of negotiating the U.K.'s exit, which will occur in two years, unless the deadline is extended or a withdrawal agreement is negotiated sooner. Given the lack of comparable precedent, it is unclear how Brexit may negatively impact the economies of the U.K., the European Union countries and other nations. However, any of these effects of Brexit, among others, could adversely affect our financial position, results of operations and cash flows.

We must protect our intellectual property rights.

We rely on a combination of copyrights, patents, trademarks, trade secrets, confidentiality procedures and contractual procedures to protect our intellectual property rights. Despite our efforts to protect our intellectual property rights, it may be possible for unauthorized third parties to misappropriate, copy or pirate certain portions of our products or to reverse engineer or obtain and use technology or other information that we regard as proprietary. Furthermore, our intellectual property protections may not prevent competitors from independently developing products and services similar to or duplicative of our products and services. Also, there can be no assurance that our intellectual property rights would survive a legal challenge as to their validity or provide significant protection for us, and any such legal actions could become costly. In addition, the laws or practices of certain countries do not protect our proprietary rights to the same extent as do the laws of the U.S. Our ability to protect our intellectual property rights could also be impacted by proposed changes to existing laws, legal principals and regulations governing the ownership and protection of patents and other intellectual property. Accordingly, there can be no assurance that we will be able to protect our proprietary technology against unauthorized third-party copying or use, which could adversely affect our competitive position and revenue.

Third parties may claim that our software products or services infringe on their intellectual property rights, exposing us to litigation that, regardless of merit, may be costly to defend.

Our success and ability to compete are also dependent upon our ability to operate without infringing upon the proprietary rights of others. Third parties may claim that our current or future products or services infringe upon their intellectual property rights. Any such claim, with or without merit, could have a significant effect on our business and financial results. Any future third-party claim could be time consuming, divert management's attention from our business operations and result in substantial litigation costs, including any monetary damages and customer indemnification obligations that may result from such claims. In addition, parties making these claims may be able to obtain injunctive or other equitable relief affecting our ability to license the products that incorporate the challenged intellectual property. As a result of such claims, we may be required to obtain licenses from third parties, develop alternative technology or redesign our products. We cannot be sure that such licenses would be available on terms acceptable to us, if at all. If a successful claim is made against us and we are unable to develop or license alternative technology, our business, financial condition, operating results and cash flows could be materially adversely affected.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

We are party to various litigation claims and legal proceedings. We evaluate these litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to us at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from those envisioned by our current assessments and estimates. In addition, we have business operations in markets with high-risk legal compliance environments. Our policies and procedures require strict compliance with all U.S. and international laws and regulations and consent orders applicable to our business operations, including those prohibiting improper payments to government officials. Nonetheless, we cannot assure you that our policies and procedures will always ensure full compliance with all applicable legal requirements. There may also be adverse publicity associated with litigation, regardless of whether the allegations are valid or whether we are ultimately found liable.

We are subject to risks related to global operations.

We are a global company that conducts sales, sales support, professional services, product development and support, marketing and product distribution services from numerous offices throughout the world. We are subject to a variety of risks and challenges in managing an organization operating in various countries, including:

- difficulties in staffing and managing international operations, including compliance with local labor and employment laws;
- non-compliance with our code of conduct or other corporate policies;

- longer payment cycles;
- increased financial accounting and reporting burdens and complexities;
- adverse tax consequences;
- adverse impact of inflation;
- changes in foreign currency exchange rates;
- restrictions on our ability to access cash in foreign jurisdictions;
- impact from volatile or sluggish local economies or global macroeconomic conditions;
- loss of proprietary information, including intellectual property, due to piracy, misappropriation or weaker laws regarding intellectual property protection;
- the need to localize our products;
- lack of appropriate local infrastructure to carry out operations;
- political unrest, war or terrorism, particularly in areas in which we have employees and facilities;
- potential vulnerability to computer system, internet or other systemic attacks, such as denial of service, viruses or other malware, any of which may be caused by criminals, terrorists or other sophisticated organizations;
- compliance with a wide variety of complex laws, regulations and treaties, including unexpected changes in (or new) legislative or regulatory requirements, early termination of contracts with government agencies, audits, investigations, sanctions or penalties;
- licenses, tariffs, export controls, economic sanctions and other trade barriers; and
- natural disaster, disease or other extraordinary events impacting business continuity.

U.S. and international laws and regulations that apply to our global operations are complex and increase our cost of doing business. U.S. laws and regulations applicable to our international operations include the Foreign Corrupt Practices Act, economic sanctions laws and export control laws. International laws and regulations include local laws that also prohibit bribery, including commercial bribery (including the UK Bribery Act), and corrupt payments to governmental officials, as well as labor relations laws, tax laws, anti-competition regulations, import and trade restrictions and export requirements. Additionally, our operations are subject to complex laws, rules and regulations relating to the collection, use and protection of data, and new laws in this area have been passed by several jurisdictions, while other jurisdictions are considering imposing additional restrictions. Complying with emerging and changing requirements, both domestic and international, may cause the Company to incur substantial costs or require the Company to change its business practices. We have adopted and implemented policies and procedures designed to promote compliance with U.S. laws and the laws of the jurisdictions in which we operate. Violations of these laws and regulations could result in criminal or civil fines against us, our officers or our employees; restrictions on the conduct of our business; harm to our brand or reputation; and delays in potential acquisitions. Such violations could result in penalties and other restrictions that may, under certain circumstances, materially and adversely impact our operating results and financial condition.

The unique risks of operating in a particular country may require us to adopt a different business approach or strategy in that particular country, which could increase our cost of doing business or limit the type of business activities we can perform in such country. In addition, if we suffer a business disruption due to any of the risks listed above and do not have in place or are not able to implement adequate response plans, our ability to support customers and maintain normal business operations for a significant length of time could be hindered such that our competitive position could be significantly impacted. Furthermore, our financial condition could be adversely impacted if our costs to recover escalate due to such recovery occurring over a protracted period.

We maintain a significant presence in India, Israel and other emerging market countries, conducting substantial software development and support, marketing operations, IT operations and certain financial operations in those locations. Accordingly, we are directly affected by economic, political, physical and electrical infrastructure and military conditions in these countries. Any major hostilities or the interruption or curtailment of trade between these countries and their present trading partners could materially adversely affect our business, financial condition, operating results and cash flows. We maintain contingency and business continuity plans for all significant locations, and to date, various regional conflicts or other local economic or political issues have not caused any major adverse impact on our operations in these countries. Should we be unable to conduct operations in these regions in the future, and our contingency and business continuity plans are unsuccessful, our business could be adversely affected. Furthermore, as the software and technology labor market in these countries has developed at a rapid pace, with many multi-national companies competing for talent, there is a risk that wage and attrition rates will rise faster than we have anticipated, which could lead to higher costs and operational issues.

We face exposure to foreign currency exchange rates.

We conduct significant transactions, including intercompany transactions, in currencies other than the U.S. dollar or the functional operating currency of the transactional entities, and our global subsidiaries maintain significant net assets that are denominated in currencies other than the functional operating currencies of these entities. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar can significantly affect our revenues and operating results due to transactional and translational remeasurement that is reflected in our earnings. Our foreign currency exchange rate exposures may adversely impact our operating results and operating cash flows.

We may lose key personnel, may not be able to hire enough qualified personnel or may fail to integrate replacement personnel.

Much of our future success depends on the continued service and availability of skilled personnel, including sales, technical and management resources and the availability of skilled contract labor. Experienced personnel in the information technology industry are in high demand and competition for their talents is intense. Changing demographics and labor work force trends may result in a loss of knowledge and skills as experienced workers retire. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. In addition, acquisitions could cause us to lose key personnel of the acquired companies or our personnel. With rare exceptions, we do not have long-term employment agreements with our employees.

In addition, we continually focus on improving our cost structure. We have been hiring personnel and engaging third-party outsourcing firms in countries where advanced technical expertise is available at lower costs, and we frequently utilize contract labor for short-term needs. We may also experience increased competition for employees in these countries as the trend toward globalization continues, which may affect our employee retention efforts, increase our dependence on third-party outsourcing firms and contract labor and/or increase our expenses in an effort to offer a competitive compensation program for full-time employees.

We have also undertaken restructuring actions over the past several years to improve our cost structure involving significant reductions in our workforce, relocation of job functions to lower-cost overseas locations and changes to our organizational structure. We will continue to make organizational changes aimed at improving our operating margins and driving operational efficiencies. Some of these changes may result in future workforce reductions or rebalancing actions. These efforts place a strain on our management, administrative, technical, operational and financial infrastructure. Additionally, when we make adjustments to our workforce, we may incur expenses associated with workforce reductions that delay the benefit of a more efficient workforce structure.

If we fail to manage these changes effectively, it could adversely affect our ability to manage our business and our operating results.

Our business and products are dependent on the availability, integrity and security of IT systems.

Our IT systems and related software applications are integral to our business. We rely on controls and systems to ensure data integrity of critical business information and proper operation of our systems and networks. Lack of data integrity could create inaccuracies and hinder our ability to perform meaningful business analysis and make informed business decisions. Despite network security, disaster recovery and systems management measures in place, we may encounter unexpected general systems outages or failures that may affect our ability to conduct research and development, provide maintenance and support of our products, manage our contractual arrangements, accurately and efficiently maintain our books and records, record our transactions, provide critical information to our management and prepare our financial statements. Additionally, these unexpected systems outages or failures may require additional personnel and financial resources, disrupt our business or cause delays in the reporting of our financial results. We may also be required to modify, enhance, upgrade or implement new systems, procedures and controls to reflect changes in our business or technological advancements, which could cause us to incur additional costs and require additional management attention, placing burdens on our internal resources. We also outsource certain IT-related functions to third parties that are responsible for maintaining their own network security, disaster recovery and systems management procedures. If we, or our third-party IT vendors, fail to manage our IT systems and related software applications effectively, it could adversely affect our business operations, operating results and cash flows.

Cyber attacks on our networks and actual or perceived security vulnerabilities in our products and services could have an adverse impact on our business and results of operations.

Increasingly, companies are subject to a wide variety of cyber attacks on their systems and networks on an ongoing basis. In the course of our regular business operations and providing SaaS maintenance support services to our customers, we process and transmit proprietary information and sensitive or confidential data, including personal information of employees, customers and others. Computer programmers and hackers may be able to penetrate our network security and misappropriate, copy or pirate our confidential information or that of third parties, create system disruptions or cause interruptions or shutdowns of our internal systems and services. A number of websites have been subject to denial of service attacks, where a website is bombarded with information requests eventually causing the website to overload, resulting in a delay or disruption of service. Also, there is a growing trend of advanced persistent threats being launched by organized and coordinated groups against corporate networks to breach security for malicious purposes. If successful, any of these events could damage our computer systems or those of our third-party hosting vendors or customers and could disrupt or prevent us from providing timely maintenance, support and services to our customers.

Computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. The costs to us to eliminate or alleviate security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and the efforts to address these problems could result in interruptions, delays, cessation of service and loss of existing or potential customers and may impede our sales, manufacturing, distribution and other critical functions. Security risks for us will also increase as we continue to grow our cloud-based offerings and services, especially in customer sectors involving particularly sensitive data.

We have outsourced a number of our business functions to third-party vendors, and our business operations also depend, in part, on the success of these third parties' own cyber security measures. Additionally, we depend upon our employees to appropriately handle confidential data and deploy our IT resources in a safe and secure manner that does not expose our network systems to security breaches and the loss of data. Our efforts to protect our Company data or the information we receive may also be unsuccessful due to software bugs or other technical malfunctions, employee, contractor or vendor error or malfeasance, government surveillance or other threats that evolve.

Affected users (including customers or third parties) or government authorities could initiate legal or regulatory actions against us in connection with any security breaches or improper disclosure of data, which could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices. Any of these events could have a material and adverse effect on our business, reputation or financial results.

Recent legislation has increased the responsibilities of software companies and their clients regarding financial security, identity theft and privacy. Our customers may not effectively implement all of the updated security features that we introduce or make all necessary changes to their operating procedures, or they may fail to implement other required security measures.

Changes in generally accepted accounting principles may materially adversely affect our reported results of operations or financial condition.

From time to time, the Financial Accounting Standards Board (the "FASB") issues new accounting principles. For example, in May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, with subsequent amendments in 2015, 2016 and 2017, which created new Accounting Standards Codification Topic 606 ("Topic 606") that will replace most existing revenue recognition guidance in GAAP when it becomes effective for us. As a nonpublic company, we are required to adopt Topic 606 in fiscal year 2020 but may elect to adopt the new standard in fiscal year 2019. We have not yet determined whether we will adopt the new standard in fiscal year 2019 or fiscal year 2020. While we are continuing to assess all potential effects of the new standard, we currently anticipate that this standard will have a material effect on our consolidated financial statements, revenue recognition policies and financial statement disclosures, and believe the most significant impact relates to the timing of the recognition of our software license revenue. Under Topic 606, more judgment and estimates will be required within the revenue recognition process than are required under existing GAAP. Changes to existing rules, or changes to the interpretations of existing rules, including, but not limited to, the changes within Topic 606, could lead to changes in our accounting policies and systems. Such changes could materially adversely affect our reported financial results.

Risks Related to the Ownership of the Notes

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes.

As of September 30, 2017, after giving effect to the notes offered hereby and the Concurrent Financing Transactions, we and our subsidiaries would have had approximately $5,933 million of aggregate principal amount of indebtedness outstanding and an additional $283 million of unused commitments available to be borrowed under the Revolving Facility (after taking account of issued but undrawn letters of credit, if any). Our substantial level of indebtedness increases the risk that we may be unable to generate cash sufficient to pay amounts due in respect of our indebtedness. Our substantial indebtedness could have other important consequences to you and significant effects on our business. For example, it could:

- make it more difficult for us to satisfy our financial obligations, including with respect to the notes and our other debt;
- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- require us to dedicate a substantial portion of our cash flow to making payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- require us to repatriate cash for debt service from our foreign subsidiaries, resulting in potential additional tax costs, or require us to adopt other disadvantageous tax structures to accommodate debt service payments;
- restrict us from capitalizing on business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general corporate purposes.

The Issuer's assets consist primarily of investments in subsidiaries and the Issuer will depend on distributions from its subsidiaries or other guarantors to fulfill its obligations under the notes.

The Issuer is primarily a holding company and many of its assets consist primarily of investments in its subsidiaries. The Issuer's ability to service its debt obligations, including its ability to pay the interest on and principal of the notes when due, will be dependent upon cash dividends and distributions or other transfers from its subsidiaries. Payments to the Issuer by its subsidiaries or other guarantors will be contingent upon their respective earnings and subject to any limitations on the ability of such entities to make payments or other distributions to us. Its subsidiaries and other guarantors are separate and distinct legal entities and have no obligation, other than under the guarantee of the notes and guarantees of certain of its other indebtedness, to make any funds available to the Issuer. In addition, under U.S. federal and foreign bankruptcy laws and comparable provisions of state and foreign fraudulent transfer laws, its incurrence of joint and several liability in respect of its obligations under the notes could be voided in certain circumstances.

Despite our indebtedness level, we may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.

We will have the right to incur substantial additional indebtedness in the future. The terms of our Senior Secured Credit Facilities, the indenture governing our Existing 2021 Notes and the Indenture that will govern the notes restrict, but do not in all circumstances prohibit, us from doing so. All existing and future borrowings under our Senior Secured Credit Facilities will rank senior to the notes. Under the instruments governing our debt, we are permitted to incur substantial additional debt that ranks equal with the notes and any such indebtedness may further limit the recovery from the realization of the collateral available to satisfy the holders of the notes. Any additional debt may be governed by indentures or other instruments containing covenants that could place restrictions on the operation of our business and the execution of our business strategy in addition to the restrictions on our business already contained in the agreements governing the Senior Secured Credit Facilities, the indenture governing our Existing 2021 Notes and the Indenture that will govern the notes. Because any decision to issue debt securities or enter into new debt facilities will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future debt financings and whether we may be required to accept unfavorable terms for any such financings.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt service obligations may adversely affect our business, financial condition and results of operations.

Our ability to make payments on and to refinance our indebtedness, including the notes, and to fund working capital needs and planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, business, legislative, regulatory and other factors that are beyond our control.

If our business does not generate sufficient cash flow or if future borrowings are not available to us in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness, including the notes, on or before the maturity thereof, sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on our operations. In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Our ability to restructure or refinance our indebtedness, including the notes, will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments, including the Indenture that will govern the notes, may limit or prevent us from taking any of these actions. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, may adversely affect our business, financial condition and results of operations, as well as our ability to satisfy our obligations in respect of the notes.

The Indenture that will govern the notes, the indenture governing our Existing 2021 Notes and the Senior Secured Credit Facilities restrict or will restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The Indenture that will govern the notes, the indenture governing our Existing 2021 Notes and the Senior Secured Credit Facilities impose or will impose significant operating and financial restrictions and limit the ability of us and our restricted subsidiaries to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends or make other distributions in respect of, or repurchase or redeem, capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell or otherwise dispose of assets;
- sell stock of our subsidiaries;
- incur liens;
- enter into transactions with affiliates;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

As a result of these covenants and restrictions, we are and will be limited in how we conduct our business, and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. In addition, we will be required to maintain specified financial ratios and satisfy other financial condition tests. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants.

Our failure to comply with the restrictive covenants described above as well as others contained in our future debt instruments from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their maturity. If we are forced to refinance these borrowings on less favorable terms, our results of operations and financial condition could be adversely affected.

Your right to receive payments on the notes will be effectively subordinated to the right of lenders who have a security interest in our assets to the extent of the value of those assets.

Subject to the restrictions in the Indenture governing the notes, the Issuer and its subsidiaries may incur significant additional indebtedness secured by their assets. If we are declared bankrupt or insolvent, or if we default under any of our existing or future indebtedness, including our Senior Secured Credit Facilities, that are secured by our assets, the holders of such indebtedness could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the holders of such indebtedness could foreclose on such assets to the exclusion of holders of the notes, even if an event of default exists under the Indenture governing the notes at such time. Furthermore, if the holders of such indebtedness foreclose and sell the pledged equity interests in any guarantor under the notes, then that guarantor will be released from its guarantee of the notes automatically and immediately upon such sale. In any such event, because the notes will not be secured by such assets or the equity interests in guarantors, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims fully. In addition, the Indenture that will govern the notes will permit us to incur additional indebtedness that ranks equally with the notes. Any such indebtedness may further limit the recovery from the realization of the value of such collateral available to satisfy holders of the notes.

The notes will be effectively subordinated to the claims of the creditors of non-guarantor subsidiaries.

We conduct a substantial portion of our business through our subsidiaries. Claims of creditors of our non-guarantor subsidiaries, including trade creditors, will generally have priority with respect to the assets and earnings of such subsidiaries over the claims of our creditors, including holders of the notes. For the twelve months ended September 30, 2017, the non-guarantors accounted for approximately $275.0 million, or 36.2%, of our Non-GAAP EBITDA, including intercompany transactions, and as of September 30, 2017, our non-guarantors accounted for approximately $2,798.2 million, or 37.7%, of our consolidated assets, and approximately $2,348.2 million, or 28.8%, of our consolidated liabilities, each excluding intercompany balances. The Indenture governing the notes will permit the incurrence of certain additional indebtedness by our non-guarantor subsidiaries in the future.

Under certain circumstances, a court could cancel the notes or the related guarantees under fraudulent conveyance laws.

The issuance of the notes and the related guarantees may be subject to review under federal or state fraudulent transfer or conveyance law or similar laws. If the Issuer becomes a debtor in a case under the U.S. Bankruptcy Code or encounters other financial difficulty, a court might avoid or cancel its obligations under the notes. A court might do so if it found that, when the Issuer issued the notes, (i) it received less than reasonably equivalent value or fair consideration and (ii) the Issuer (1) was rendered insolvent, (2) was left with inadequate capital to conduct its business or (3) believed or reasonably should have believed that it would incur debts beyond its ability to pay. A court could also avoid the notes, without regard to factors (i) and (ii), if it found that the Issuer issued the notes with actual intent to hinder, delay or defraud the Issuer's creditors.

Similarly, if one of the guarantors becomes a debtor in a case under the U.S. Bankruptcy Code or encounters other financial difficulty, a court might avoid or cancel its guarantee if it finds that when such guarantor issued its guarantee (or in some jurisdictions, when payments became due under the guarantee), factors (i) and (ii) above applied to such guarantor, such guarantor was a defendant in an action for monetary damages or had a judgment for monetary damages docketed against it (if, in either case, after final judgment the judgment is unsatisfied), or, without regard to factors (i) and (ii), if it found that such guarantor issued its guarantee with actual intent to hinder, delay or defraud its creditors.

In addition, a court could avoid or undo any payment by the Issuer or any guarantor pursuant to the notes or a guarantee and require the disgorgement and return to the Issuer or guarantor of any payment or to a fund for the benefit of the creditors of the Issuer or guarantor. In addition, under appropriate circumstances, a court could subordinate rather than avoid obligations under the notes or the guarantees, and in that event the guarantees would be subordinated (including structurally) to all of that guarantor's other debt. If the court were to avoid, cancel or subordinate any guarantee, funds may not be available to pay the notes from another guarantor or from any other source.

The test for determining solvency for purposes of the foregoing and below will vary depending on the law of the jurisdiction being applied. In general, a court would consider an entity insolvent either if the sum of its existing debts exceeds the fair value of all of its property, or its assets' present fair saleable value is less than the amount required to pay the probable liability on its existing debts as they become due. For this analysis, "debts" includes contingent and unliquidated debts. A court could also find that an entity was insolvent if it either was engaged in business or a transaction, or was about to engage in business or a transaction, with unreasonably small capital, or intended to incur, or believed that it would incur, debts beyond its ability to pay as such debts matured.

The Indenture governing the notes will limit the liability of each guarantor on its guarantee to the maximum amount that such guarantor can incur without risk that its guarantee will be subject to avoidance as a fraudulent transfer. This limitation will not necessarily protect such guarantees from fraudulent transfer challenges or, if it does, ensure that the remaining amount due and collectible under the guarantees would suffice, if necessary, to pay the notes in full when due. It is not clear, however, whether those limits would ultimately be adhered to or otherwise enforceable.

If a court avoided the Issuer's obligations under the notes and the obligations of all of the guarantors under their guarantees, purchasers of the notes could cease to be the Issuer's creditors or creditors of the guarantors and would likely have no source from which to recover amounts due under the notes. Even if the guarantee of a guarantor is not avoided as a fraudulent transfer, a court may subordinate the guarantee to that guarantor's other debt, and in that event the guarantees would be subordinated (including structurally) to all of that guarantor's other debt.

We are owned and controlled by the Sponsors and their interests may conflict with yours as a creditor.

The Sponsors control us. As a result, the Sponsors have the power to elect all of the members of Parent's Board and the Issuer's Board and effectively have control over major decisions regardless of whether holders of the notes believe that any such decisions are in their own best interests. The interests of the Sponsors as equityholders may conflict with your interests as a holder of the notes. The Sponsors may have an incentive to increase the value of their investment or cause us to distribute funds at the expense of our financial condition and affect our ability to make payments on the notes. In addition, the Sponsors may have an interest in pursuing acquisitions, divestitures, financings, capital expenditures or other transactions that they believe could enhance their equity investments even though such transactions might involve risks to you as a holder of the notes. Each of the Sponsors may from time to time acquire and hold businesses, or interests in businesses, that compete directly or indirectly with us.

Corporate benefit and financial assistance laws and other limitations on the obligations under the guarantees may adversely affect the validity and enforceability of the guarantees.

The guarantees of the notes by the Israeli companies (the "Israeli Guarantors") provide the holders of the notes with a right of recourse against the assets of the relevant Israeli Guarantor. Each such guarantee and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed by an Israeli Guarantor without rendering its guarantee as it relates to that Israeli Guarantor voidable or otherwise ineffective or illegal under applicable law. In addition, each guarantee by an Israeli Guarantor will be limited in that it shall not impose any liability or payment obligations to the extent that such liability or payment obligations would be deemed a "Prohibited Distribution" under the Israeli Companies Law, 5759-1999.

The issuance of the guarantees of the notes by the Israeli Guarantors could have adverse tax consequences on these companies.

Under recently-adopted legislation in Israel, the issuance of the guarantees of the notes by the Israeli Guarantors could be treated as “distributions” for purposes of Israeli tax law. If such guarantees were treated as distributions, this could impose an obligation on the Israeli subsidiaries to withhold Israeli taxes from the amount of such deemed distributions, at the regular corporate rate (24% in 2017 and 23% as of 2018), unless such rate is reduced by an applicable tax treaty. Any such obligation to withhold Israeli taxes from such deemed distributions could have a material adverse effect on the financial condition of the Israeli Guarantors (including due to gross up obligations).

Rights of noteholders to enforce, secure and realize their rights under the guarantees may be adversely affected in Israeli insolvency proceedings.

The ability of the noteholders to enforce, secure and realize their rights under the guarantees may be delayed, restricted, subordinated, completely terminated or otherwise adversely affected in any insolvency proceedings conducted under Israeli jurisdiction or subject to Israeli law. Israeli bankruptcy courts often take the view that all matters relating to the bankruptcy of an active Israeli company should be conducted in Israel, regardless of applicable agreements’ jurisdiction provisions. Israeli insolvency law generally favors the continuation of a business over immediate payment of creditors. The following factors, among others, may adversely affect rights of creditors generally and in insolvency proceedings particularly:

- Fraudulent conveyance principles and other similar laws affecting creditors’ rights and remedies generally and application by a competent court of equitable principles. Under Israeli law, any transfer of assets or creation of a security interest by a debtor may be declared not enforceable in liquidation, reorganization or composition proceedings of the debtor if, generally, the following conditions are met: (a) the debtor is deemed insolvent (as defined in and construed under Israeli law principles) at the time of the conveyance; (b) the conveyance is effected in the three months prior to the commencement of the liquidation or reorganization proceedings; and (c) the conveyance is made by the debtor with the intention of fraudulently preferring a certain creditor or as a result of illegal coercion or persuasion by the creditor.
- The issuance of a liquidation order by a court of competent authority in respect of a company results in a stay of proceedings. Upon the issuance of the liquidation order, creditors of a company are prohibited from taking any action against the company or its assets to secure or realize their rights, and any such proceedings not completed are stayed. However, the liquidation order does not prevent creditors holding a secured interest from enforcing and realizing their collateral or from otherwise using it in a different manner (although the enforcement process may be procedurally limited in a certain manner). Notwithstanding the foregoing, a court of competent authority may order a moratorium on proceedings against a company for a period of up to nine months (and may extend that period for additional three month periods (without limitation as to the aggregate time frame), for special reasons) if the court is convinced that the moratorium may contribute to the formation of a compromise or arrangement between the company, its shareholders and its creditors. Secured creditors are restricted from enforcing their collateral during the moratorium period unless the court is convinced that either (i) no adequate protection exists to safeguard the secured creditors’ rights or (ii) enforcement of the secured creditors’ rights will not jeopardize the ability of the company to duly form and approve the arrangement or compromise so contemplated.
- Claims and rights of creditors of a company in insolvency proceedings may abate in whole or in part due to insufficient funds and assets of the company in insolvency. Generally, the distribution of assets in insolvency proceedings is governed by two core principles: (a) the principle of absolute superiority, according to which creditors of a certain class, who rank higher in priority to other creditors, will be permitted to satisfy their interests in full prior to creditors of a different class, who rank lower in priority, and (b) the principle of absolute equality, according to which creditors of the same class will have a pro rata right to secure and satisfy their interest with other creditors of the same class. Generally, subject to

certain exceptions, creditors holding a fixed pledge or charge rank higher in priority to shareholders and other unsecured creditors of a company and may, subject to the limitations described above, proceed in enforcing their security interest without interference. Such creditors are entitled to use the proceeds received in connection with the realization of their security interest to satisfy their entire claim but will be treated as unsecured creditors with respect to any portion of their claim not entirely satisfied by the proceeds so received if such proceeds are insufficient to repay their entire interest. Creditors holding a fixed pledge or charge may, however, be subordinated to (i) certain creditors statutorily preferred under Israeli law (e.g., tax authorities holding a tax lien in respect of taxes owed and not paid on real estate property of the company); (ii) certain creditors holding a statutory lien; and (iii) creditors holding a fixed pledge or charge over specific assets that were acquired or received by the company using debt advanced by such creditors.

The powers of the court under Israeli insolvency laws have been exercised broadly (even when there are documents governed by non-Israeli law) to protect a restructuring entity from actions taken by creditors and other parties and to approve various payments to be made by the restructuring entity and various arrangements with specific creditors or classes of creditors. Accordingly, following the commencement of or during such proceeding, we cannot predict if payments under the notes would be made, whether or when the noteholders could exercise their respective rights under the guarantees and the documents governing the guarantees or whether and to what extent the noteholders would be compensated for any delays in payment, if any, of principal, interest and cost.

Similarly, in the event that rehabilitation or restructuring is not sought or does not succeed, the rights of the noteholders to enforce remedies are likely to be sufficiently impaired by bankruptcy, receivership or other liquidation proceedings under applicable Israeli laws such as the Bankruptcy Ordinance (New Version)—1980 and the Companies Ordinance (New Version)—1983 if the benefit of such laws is sought.

It may be difficult or impossible to effect service of process on the Israeli Guarantors outside of Israel or enforce judgments rendered by U.S. courts against the Israeli Guarantors.

Service of process on the Israeli Guarantors may be difficult or impossible to effect outside of Israel. Furthermore, it may be difficult to enforce judgments obtained against the Israeli Guarantors or any of our directors and officers in Israel. Subject to various time limitations, an Israeli court may declare a judgment rendered by a foreign court in a civil matter, including judgments awarding monetary or other damages, enforceable if it finds that (a) the judgment was rendered by a court which was, according to the foreign country’s law, competent to render it; (b) the judgment is no longer appealable; (c) the judgment is enforceable according to the rules relating to the enforceability of judgments in Israel and the substance of the judgment is not contrary to public policy in Israel; and (d) the judgment can be executed in the state in which it was given. A foreign judgment will not be declared enforceable by Israeli courts if it was given in a state, the laws of which do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if its enforcement is likely to prejudice the sovereignty or security of Israel. An Israeli court also will not declare a foreign judgment enforceable if it is proved to the Israeli court that: (a) the judgment was obtained by fraud; (b) the defendant was not given, according to the view of the Israeli courts, a reasonable opportunity to make its claims or to bring evidence prior to the rendering of such judgment; (c) the judgment was given by a court not competent to render it according to the laws of private international law in Israel; (d) the judgment is at conflict with another judgment that was given in the same matter between the same parties and that is still valid; and (e) at the time the action was brought to the foreign court, a claim in the same matter and between the same parties was pending before a court or tribunal in Israel.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency, which can then be converted into non-Israeli currency and transferred out of Israel.

We may be unable to repurchase the notes upon a change of control.

Upon the occurrence of specified kinds of change of control events, we will be required to offer to repurchase all outstanding notes at a price equal to 101% of the principal amount of the notes, together with accrued and unpaid interest to the date of repurchase.

However, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of the notes. If we are required to repurchase the notes, we would probably require third-party financing. We cannot be sure that we would be able to obtain third-party financing on acceptable terms or at all.

One of the circumstances under which a change of control may occur is upon the sale or disposition of all or substantially all of our assets. However, the phrase "all or substantially all" will likely be interpreted under applicable state law and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or disposition of "all or substantially all" of our capital stock or assets has occurred, in which case, the ability of a holder of the notes to obtain the benefit of an offer to repurchase all or a portion of the notes held by such holder may be impaired. See "Description of Notes—Change of Control" and "Description of Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock."

It is also possible that the events that constitute a change of control may also be events of default under our Senior Secured Credit Facilities. These events may permit the lenders under our Senior Secured Credit Facilities to accelerate the indebtedness outstanding thereunder. If we are required to repurchase the notes pursuant to a change of control offer and repay certain amounts outstanding under our Senior Secured Credit Facilities if such indebtedness is accelerated, we would probably require third-party financing. We cannot be sure that we would be able to obtain third-party financing on acceptable terms or at all. If the indebtedness under our Senior Secured Credit Facilities is not paid, the lenders thereunder may seek to enforce security interests in the collateral securing such indebtedness, thereby limiting our ability to raise cash to repurchase the notes, and reducing the practical benefit of the offer to repurchase provisions to the holders of the notes. Any future debt agreements may contain similar provisions.

If the notes are rated investment grade by either Standard & Poor's or Moody's, certain covenants contained in the Indenture will be suspended, and you will lose the protection of these covenants unless or until the notes subsequently fall back below investment grade.

The Indenture governing the notes contains certain covenants that will be suspended for so long as the notes are rated investment grade by either Standard & Poor's Ratings Services or Moody's Investors Service, Inc. These covenants restrict, among other things, our and our restricted subsidiaries' ability to:

- incur additional indebtedness;
- declare or pay dividends, redeem stock or make other distributions to stockholders;
- make investments;
- create liens or use assets as security in other transactions;
- create dividend and other payment restrictions affecting their subsidiaries;
- merge or consolidate, or sell, transfer, lease or dispose of substantially all of our assets;
- enter into transactions with affiliates; and
- sell or transfer certain assets.

Because these restrictions will not apply when the notes are rated investment grade, we will be able to incur additional debt and consummate transactions that may impair our ability to satisfy our obligations with respect to the notes. In addition, we will not have to make certain offers to repurchase the notes. These covenants will only be restored if the credit ratings assigned to the notes later fall below investment grade.

Ratings of the notes may affect the market price and marketability of the notes.

The notes have been rated by Standard & Poor's Ratings Services and Moody's Investors Service, Inc. These ratings are limited in scope and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies if, in each rating agency's judgment, circumstances so warrant. It is also possible that such ratings may be lowered in connection with the application of the proceeds of this offering or in connection with future events, such as future acquisitions. Holders of the notes will have no recourse against us or any other parties in the event of a change in or suspension or withdrawal of such ratings. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price or marketability of the notes.

The transferability of the notes may be limited under applicable securities laws.

The notes and the guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the U.S., except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable securities laws of any state or any other jurisdiction. It is the obligation of the holders of the notes to ensure that their offers and sales of the notes within the U.S. and other countries comply with applicable securities laws.

There is no established trading market for the notes and there is no guarantee that an active trading market for the notes will develop. You may not be able to sell the notes readily or at all or at or above the price that you paid.

The notes are a new issue of securities and there is no established trading market for them. The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so and may discontinue any market making in the notes at any time, in their sole discretion. An application will be made to list the notes on the Official List of TISE and to admit the notes for trading on the Official List of TISE. However, the notes may not be listed or admitted for trading on the Official List of TISE. Although no assurance is made as to the liquidity of the notes as a result of the admission to trading on the Official List of TISE, failure to be approved for listing on or the delisting of the notes from the Official List of TISE may have a material adverse effect on a noteholder's ability to resell the notes in the secondary market. We do not intend to apply for listing of the notes on any U.S. securities exchange or for quotation through an automated dealer quotation system.

The liquidity of the trading market in the notes and the market prices quoted for the notes may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. Accordingly, you may be required to bear the financial risk of your investment in the notes indefinitely. If a trading market were to develop, future trading prices of the notes may be volatile and will depend on many factors, including:

- the number of holders of the notes;
- our operating performance and financial condition;
- the market for similar securities;
- the interest of securities dealers in making a market in the notes;
- prevailing interest rates; and
- the aggregate principal amount of the notes outstanding.

Even if an active trading market for the notes does develop, there is no guarantee that it will continue. Historically, the market for non-investment grade debt has been subject to severe disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market, if any, for the notes may experience similar disruptions, and any such disruptions may adversely affect the liquidity in that market or the prices at which you may sell your notes. In addition, subsequent to their initial issuance, the notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our operating performance and other factors.

The notes may not become, or remain, listed on the Official List of TISE.

Although an initial application will be made by or on behalf of the Issuer for the listing of and permission to deal in the notes on the Official List of TISE, there can be no assurance that the notes will be listed on the Official List of TISE, that such permission to deal in the notes will be granted or that such listing will be maintained.

If we file a bankruptcy petition, or if a bankruptcy petition is filed against us, you may receive a lesser amount for your claim under the notes than you would have been entitled to receive under the Indenture governing the notes.

If we file a bankruptcy petition under the U.S. Bankruptcy Code after the issuance of the notes, or if such a bankruptcy petition is filed against us, your claim against us for the principal amount of your notes may be limited to an amount equal to:

- the original issue price for the notes; and
- the portion of original issue discount that does not constitute “unmatured interest” for purposes of the U.S. Bankruptcy Code.

Any original issue discount that was not amortized as of the date of any bankruptcy filing would constitute unmatured interest. Accordingly, under these circumstances, you may receive a lesser amount than you would have been entitled to receive under the terms of the Indenture governing the notes, even if sufficient funds are available.

The notes will initially be held in book-entry form, and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The notes will initially only be issued in global certificated form and held through Euroclear and Clearstream.

Interests in the Global Notes (as defined below) will trade in book-entry form only, and notes in definitive registered form, or Definitive Registered Notes (as defined below), will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the Global Notes representing the notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the notes will be made to Elavon Financial Services DAC, UK Branch (the “Paying Agent”), which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants’ accounts that hold book-entry interests in the Global Notes representing the notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, none of the Issuer, Wilmington Trust, National Association (the “Trustee”), Elavon Financial Services DAC, UK Branch (the “Transfer Agent”), Elavon Financial Services DAC (the “Registrar”) nor the Paying Agent will have any responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of Euroclear and Clearstream, and if investors are not participants in Euroclear and Clearstream, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of the notes under the Indenture.

Unlike the holders of the notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the notes. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture governing the notes, unless and until Definitive Registered Notes are issued in respect of all book-entry interests, if investors own book-entry interests, they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the notes. See "Book Entry, Delivery and Form."

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately €   million. The Issuer intends to use the net proceeds from the issuance of the notes, together with proceeds from our New Term Loan B and cash on hand, to fund the redemption of the outstanding 9.000%/9.750% Senior Contingent Cash Pay Notes due 2019 of its parent, Boxer Parent Company Inc., to pay all fees and expenses related thereto and in connection with the offering of the notes and for general corporate purposes.

CAPITALIZATION

The following table sets forth our combined cash and cash equivalents and combined capitalization as of September 30, 2017 on an actual basis and on an as adjusted basis after giving effect to the offering and the Concurrent Financing Transactions. This information should be read in conjunction with the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Use of Proceeds," "Description of Other Indebtedness" and "Selected Historical Consolidated Financial Data."

	As of September 30, 2017	
	Actual	As Adjusted
	(in millions)	
Cash and cash equivalents(1)	$ 579	$ 559
Debt:		
Senior Secured Credit Facilities(2)	3,422	3,574
Existing Notes(3)	1,890	1,890
Notes offered hereby	—	449
Capital leases and other obligations	20	20
Total debt	5,332	5,933
Stockholder's deficit(4)	(734)	(1,354)
Total capitalization	$4,598	$ 4,579

(1) Other than giving effect to this offering and the Concurrent Financing Transactions, the As Adjusted column for cash and cash equivalents as of September 30, 2017 does not reflect any changes in such amount since that date.

(2) After giving effect to this offering and the Concurrent Financing Transactions, the Senior Secured Credit Facilities would have been comprised of $2,482 million of U.S. Term Loans, €924 million of Foreign Euro Term Loans and $310 million equivalent under the Revolving Facility, and the Issuer and the guarantors collectively would have $283 million of unused commitments available to be borrowed under the Revolving Facility (after taking account of issued but undrawn letters of credit, if any). For purposes of the table above, Euro-denominated borrowings have been translated to U.S. dollars using the exchange rate in effect on September 30, 2017.

(3) Represents par value of $27.8 million of BMC Software's 4.5% senior notes due December 2022, par value of $37.5 million of BMC Software's 4.25% notes due February 2022 and par value of $200.0 million of BMC Software's senior notes due 2018, and $1,625.0 million of Existing 2021 Notes that remain outstanding at September 30, 2017.

(4) The As Adjusted column reflects a dividend to Parent for funding the redemption of Parent's outstanding 9.000%/9.750% Senior Contingent Cash Pay Notes due 2019, as well as all fees and expenses associated with this offering.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table presents the selected historical consolidated financial data of the Company for the periods and as of the dates indicated. The statements of operations data for the fiscal years ended March 31, 2016 and 2017 and the balance sheet data as of March 31, 2016 and 2017 set forth below are derived from the Company's audited consolidated financial statements and the notes thereto, which are included elsewhere in this offering circular. The statements of operations data for the fiscal year ended March 31, 2015 are derived from the Company's audited consolidated financial statements and the notes thereto, which are not included in this offering circular. The statements of operations data for the six months ended September 30, 2016 and 2017 and the balance sheet data as of September 30, 2017 are derived from the unaudited condensed consolidated financial statements and the notes thereto, which are included elsewhere in this offering circular.

The selected historical consolidated financial data presented below should be read together with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited and unaudited consolidated financial statements and the notes thereto, included elsewhere in this offering circular. The Company's historical operating results are not necessarily indicative of the Company's future performance.

	Year Ended March 31,			Six Months Ended September 30,	
	2015	2016	2017	2016	2017
			(in millions)		
Consolidated Statements of Operations Data:					
Revenue:					
Perpetual license	$ 350.0	$ 359.9	$ 364.5	$ 141.7	$ 142.9
Perpetual maintenance and SaaS	757.1	819.8	895.9	445.9	459.8
Term license and maintenance	221.3	293.0	373.2	175.3	220.1
Professional services	128.7	110.1	104.9	52.4	49.8
Total revenue	1,457.1	1,582.8	1,738.5	815.3	872.6
Operating expenses:					
Cost of license, maintenance and SaaS revenue	226.1	240.8	245.6	117.2	115.2
Cost of professional services revenue	138.0	110.3	94.4	48.0	44.1
Selling and marketing expenses	587.8	554.5	553.1	266.9	264.1
Research and development expenses	130.2	160.2	166.9	85.0	72.9
General and administrative expenses	206.9	184.6	165.8	81.1	82.7
Depreciation and amortization expenses	489.3	517.8	530.9	265.2	260.3
Gain on patent litigation, net	—	—	(215.0)	(215.0)	—
Total operating expenses	1,778.3	1,768.2	1,541.7	648.4	839.3
Operating income (loss)	(321.2)	(185.4)	196.8	166.9	33.3
Other income (expense), net:					
Other income (expense), net	21.3	(4.2)	1.1	(9.0)	(70.6)
Interest expense, net	(380.2)	(363.5)	(368.1)	(186.6)	(189.2)
Total other expense, net	(358.9)	(367.7)	(367.0)	(195.6)	(259.8)
Loss before income taxes	(680.1)	(553.1)	(170.2)	(28.7)	(226.5)
Provision (benefit) for income taxes	(239.1)	(155.3)	(100.5)	16.0	(85.8)
Net loss	$ (441.0)	$ (397.8)	$ (69.7)	$ (44.7)	$(140.7)

	As of March 31,		As of September 30,
	2016	2017	2017
	(in millions)		
Consolidated Balance Sheets Data:			
Cash and cash equivalents	$ 410.0	$ 628.4	$ 579.2
Total assets	8,099.8	7,886.9	7,413.1
Total borrowings(1)	5,435.1	5,277.0	5,331.9
Total stockholder's deficit	(378.7)	(568.5)	(733.5)

(1) Total borrowings include current and non-current portions of long-term borrowings and $8.1 million, $10.3 million and $11.3 million of capital leases and other obligations included in accrued liabilities as of March 31, 2016 and 2017 and September 30, 2017, respectively.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the accompanying historical audited and unaudited consolidated financial statements of BMC Software Finance, Inc. and related notes included elsewhere herein.

Unless indicated otherwise, results of operations data in this MD&A are presented in accordance with GAAP. As a result of the application of purchase accounting in connection with the Acquisition (as defined below), certain revenue and operating expense captions are not comparable to historical periods prior to the Acquisition. As such, to aid comparability, certain additional non-GAAP revenue information is included herein to remove the effects of purchase accounting. Additionally, in an effort to provide readers with additional information regarding our results of operations, certain non-GAAP financial measures including Non-GAAP EBITDA and Consolidated EBITDA are provided in this MD&A. See "—Non-GAAP Financial Measures and Reconciliations" below for an explanation of our use of non-GAAP financial measures and reconciliations to their corresponding measures calculated in accordance with GAAP.

Forward-Looking Statements

This MD&A contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are identified by the use of the words "believe," "expect," "anticipate," "estimate," "will," "contemplate," "would" and similar expressions that contemplate future events. Such forward-looking statements are based on management's reasonable current assumptions and expectations. Numerous important factors, risks and uncertainties, including but not limited to those summarized under Risk Factors in this offering circular, affect our operating results and could cause our actual results, levels of activity, performance or achievement to differ materially from the results expressed or implied by these or any other forward-looking statements made by us or on our behalf. There can be no assurance that future results will meet expectations.

Overview

We are a leading provider of information technology operations management solutions used by IT professionals to simplify and automate complex IT functions and processes in order to improve efficiency and value and to transform traditional businesses into digital enterprises. Our extensive portfolio of software and software-as-a-service ("SaaS") solutions improves decision making and orchestrates workflows across distributed, mainframe, cloud and mobile environments. We also provide our customers with maintenance and support services for our products and assist customers with software implementation, integration, IT process and organizational transformation and education services.

We serve a large, diverse and sophisticated base of customers globally. Our solutions are widely deployed by IT departments across a broad range of industries, businesses and applications worldwide, with particular strengths in banking, financial services and governmental agencies. Our customer base also includes major telecommunication companies, manufacturers, educational institutions, retailers, hospitals and other industries, as well as channel partners including resellers, distributors and systems integrators. No single customer accounted for a material portion of our revenue during any of the reported periods.

We have a global customer footprint across more than 100 countries and have a strong presence in both mature and emerging markets in North America; Europe, the Middle East and Africa ("EMEA"); Asia Pacific and Latin America, with approximately 5,900 employees worldwide as of September 30, 2017. We market and sell our products in most major world markets directly through our sales force and indirectly through channel partners.

Because our software and SaaS solutions and related professional services are designed for and marketed to companies looking to improve the management of their IT infrastructure and processes, the demand for our solutions and services, and therefore our financial results, are dependent upon customers continuing to value such solutions and to invest in such technology. There are a number of trends that have historically influenced demand for IT management solutions, including, among others, business demands placed on IT, computing capacity within IT departments, complexity of IT systems, IT operational costs and the growth of SaaS and cloud solutions within the IT industry which in some cases is displacing on-premise software licensing installations. Our financial results are also influenced by many economic and industry conditions, including, but not limited to, general economic and market conditions in the United States and global economies in which we operate and market our solutions, changes in foreign currency exchange rates, general levels of customer spending, IT budgets, the competitiveness of the IT management software and solutions industry and the stability of the mainframe market.

Acquisition of BMC Software, Inc.

On September 10, 2013 (the "Acquisition Date"), BMC Software, Inc. ("BMC") was acquired by Boxer Parent Company Inc. ("Parent"), through its subsidiary BMC Software Finance, Inc. (the "Company"), pursuant to an Agreement and Plan of Merger dated May 6, 2013 (as amended, the "Merger Agreement") for total consideration of approximately $6.7 billion (the "Acquisition"). The Company is a Delaware corporation affiliated with Bain Capital Private Equity, LP, Golden Gate Private Equity, Inc., Insight Venture Management, LLC, a company affiliated with GIC (Ventures) Pte. Ltd. and Elliott Management Corporation (together, the "Sponsors"). The Acquisition was funded primarily by approximately $1.2 billion of Sponsor equity contributions as well as debt financing consisting of approximately $1.6 billion of senior unsecured notes due July 2021 and approximately $3.9 billion (U.S. dollar-equivalent) of U.S. dollar- and Euro-denominated senior secured term loans due September 2020. The Acquisition was accounted for using the purchase method of accounting which required us to record the assets acquired and liabilities assumed at their respective fair values as of the Acquisition Date.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. On an on-going basis, we make and evaluate estimates and judgments, including those related to revenue recognition, capitalized software development costs, share-based compensation, goodwill and intangible assets and accounting for income taxes. We base our estimates on historical experience and various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about amounts and timing of revenue and expenses, the carrying values of assets and the recorded amounts of liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and such estimates may change if the underlying conditions or assumptions change.

Revenue Recognition

We derive revenue principally from software-related arrangements consisting of software license and maintenance offerings, non-software arrangements consisting of our SaaS offerings as well as the associated professional services for each of these types of arrangements. We commence revenue recognition when all of the following core revenue recognition criteria are satisfied: i) persuasive evidence of an arrangement exists; ii) delivery of the license or service has occurred or is occurring; iii) the arrangement fee is fixed or determinable; and iv) collection of the arrangement fee is probable.

Software License and Maintenance Arrangements

Software license revenue is recognized upfront on perpetual license sales when the core revenue recognition criteria above are satisfied and vendor-specific objective evidence ("VSOE") of the fair value of undelivered elements exists. As substantially all of our software licenses are sold in multiple-element arrangements that include either maintenance or both maintenance and professional services, we use the residual method to determine the amount of license revenue to be recognized. Under the residual method, consideration is allocated to undelivered elements based upon VSOE of the fair value of those elements, with the residual of the arrangement fee allocated to and recognized as license revenue. We have established VSOE of the fair value of our maintenance offerings through independent maintenance renewals. These demonstrate a consistent relationship of pricing maintenance as a percentage of either the net license fee or the discounted or undiscounted license list price. VSOE of the fair value of professional services is established based on daily rates when sold on a stand-alone basis, as well as management-approved pricing for certain new offerings.

We are unable to establish VSOE of the fair value for all undelivered elements in certain arrangements that include multiple software products for which the associated maintenance pricing is based on a combination of undiscounted license list prices, net license fees or discounted license list prices. We are also unable to establish VSOE of the fair value of all undelivered elements in certain arrangements that include unlimited licensing rights and certain arrangements that contain rights to future unspecified software products as part of the maintenance offering. If VSOE of the fair value of one or more undelivered elements does not exist, license revenue is deferred and recognized upon delivery of those elements or when VSOE of the fair value exists for all remaining undelivered elements, or if the deferral is due to the factors described above, license revenue is recognized ratably over the longest expected delivery period of undelivered elements in the arrangement, which is typically the longest maintenance term.

In our time-based license agreements, we are unable to establish VSOE of the fair value of undelivered maintenance elements because the contractual maintenance terms in these arrangements are the same duration as the license terms, and VSOE of the fair value of maintenance cannot be established. Accordingly, license and maintenance fees in time-based license arrangements are recognized ratably over the term of the arrangements and are included in term license and maintenance revenue in the statements of comprehensive loss.

Maintenance revenue is recognized ratably over the contractual terms of the maintenance arrangements, which primarily range from one to three years and in some instances can extend up to five or more years.

Professional Services Arrangements

Professional services revenue, which principally relates to implementation, integration and education services associated with our products, is derived under both time-and-material and fixed fee arrangements. In most fixed fee arrangements, revenue is recognized on a proportional performance basis based on days of effort. If no discernible customer deliverable exists until the completion of the professional services, we apply the completed performance method and defer the recognition of professional services revenue until completion of the services, which is typically evidenced by a signed completion letter from the customer. Services that are sold in connection with software license arrangements generally qualify for separate accounting from the license elements because they do not involve significant production, modification or customization of our products and are not otherwise considered to be essential to the functionality of such products. In arrangements where the professional services do not qualify for separate accounting from the license elements, the combined software license and professional services revenue is recognized based on contract accounting using either the percentage-of-completion or completed-contract method.

SaaS Arrangements

SaaS subscription fees are recognized ratably over the contractual terms of the subscription arrangements beginning on the date that the service is made available to customers. Additional professional services fees, principally related to optional services engagements that are not essential to the functionality of our core SaaS offerings and are considered to have stand-alone value, are generally recognized on a proportional performance basis based on days of effort. In our consolidated statements of comprehensive loss, SaaS subscription revenue and optional professional services revenue are included in perpetual maintenance and SaaS revenue and professional services revenue, respectively. To date, SaaS and related professional services revenues have not represented a significant percentage of our total revenue in any period.

Other Revenue Recognition Considerations

In arrangements containing both software and non-software (e.g., SaaS) elements, which to date have been infrequent, we allocate the arrangement consideration first into software and non-software units of accounting based on a relative selling price hierarchy and then apply the applicable software and non-software revenue recognition criteria to each unit of accounting. To date, we have determined the relative selling price of software and non-software units of accounting based on management’s best estimate of selling price as other means of determining relative selling price (e.g., VSOE or other third party evidence) have not been available with respect to all of the components in bundled software and non-software arrangements.

We also execute arrangements through resellers, distributors and systems integrators (collectively, channel partners) in which the channel partners act as the principals in the transactions with the end users of our products and services. We recognize revenue from transactions with channel partners on a net basis (the amount actually received by us from the channel partners) when all other revenue recognition criteria are satisfied. We do not offer right of return or price protection to any of our channel partners.

Revenue from financed customer transactions are generally recognized in the same manner as those requiring current payment, as we have a history of offering installment contracts to customers and successfully enforcing original payment terms without making concessions. In arrangements where the fees are not considered to be fixed or determinable, we recognize revenue when payments become due under the arrangement. If we determine that a transaction is not probable of collection or a risk of concession exists, we do not recognize revenue in excess of the amount of cash received.

We are required to charge certain taxes on our revenue transactions. These amounts are not included in revenue. Instead, we record a liability when the amounts are invoiced and relieve the liability when payments are made to the applicable government agency.

In our consolidated statements of comprehensive loss, revenue is categorized as perpetual license, perpetual maintenance and SaaS, term license and maintenance or professional services revenue. We allocate revenue from arrangements containing multiple elements to each of these categories based on the VSOE of the fair value of the elements in each revenue arrangement and the application of the residual method for arrangements in which we have established VSOE of the fair value of all undelivered elements. In arrangements where we are not able to establish VSOE of the fair value of all undelivered elements, we first allocate revenue to any undelivered elements for which VSOE of the fair value has been established, then allocate revenue to any undelivered elements for which VSOE of the fair value has not been established based upon management’s best estimate of fair value of those undelivered elements and apply a residual method to determine the license fee. Management’s best estimate of fair value of undelivered elements for which VSOE of the fair value has not been established is based upon the VSOE of the fair value of similar offerings and other objective criteria.

Software Development Costs

Costs of software developed internally for licensing to third parties are expensed until the technological feasibility of the software product has been established. Thereafter, software development costs are capitalized until the product is generally available to customers in accordance with relevant accounting standards. Judgment is involved in determining the point at which technological feasibility is reached. If different judgments were made, they could result in a different amount of costs that are capitalized. Capitalized software development costs are then amortized using the greater of an amount determined by the ratio of current revenues recognized to the total anticipated revenues for a product or straight-line over the product’s estimated economic life beginning at the date of general availability of the product to our customers. We evaluate our capitalized software development costs at each balance sheet date to determine if the unamortized balance related to any given product exceeds the estimated net realizable value of that product. Any such excess is written off through accelerated amortization in the period in which it is identified. Determining net realizable value requires that we make estimates and use judgment in quantifying the appropriate amount to write off, if any. Actual amounts realized from the sales of software products could differ from our estimates. Also, any future changes to our product portfolio could result in significant increases to our depreciation and amortization expenses as a result of the impairment of capitalized software development costs or acquired technology.

Beginning in fiscal 2016, the Company has adopted more agile research and development methods for the majority of its product lines, which has the effect of decreasing the amounts of software development costs capitalized.

Share-Based Compensation

Share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as compensation expense either on a straight-line basis (for time-based awards) or using the accelerated method (for market-based awards) over the requisite service period of the award, which is typically the vesting period.

We use the Black-Scholes option pricing model to estimate the grant date fair value of time-vesting stock options, and we utilize Monte Carlo simulation models to estimate the fair value of market-based stock options. The fair values of share-based awards determined on the date of grant using a fair value model are impacted by our stock price as well as assumptions regarding a number of complex and subjective variables. These assumptions include our expected stock price volatility, the risk-free interest rate over the term of the awards and other assumptions used in our Monte Carlo simulation models.

We estimate the expected volatility of Parent’s stock price using similar public entities’ historical volatility (as well as BMC’s historical volatility as a public company), adjusted for the Company’s capital structure, for a period of time commensurate with the expected term of the options. We estimate the risk-free interest rate based on zero-coupon yields implied from U.S. Treasury issues with maturities similar to the expected term of the awards. We currently assume an expected dividend yield of zero in the valuation models. If we use different assumptions for estimating share-based compensation expense in future periods, the amount of such expense recorded in future periods may differ significantly from what we have recorded in the current period.

We record deferred tax assets for share-based awards that we believe will result in deductions on our income tax returns, based on the amount of share-based compensation expense recognized and the statutory tax rate in the jurisdiction in which we will receive a tax deduction. Differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on our income tax returns are recorded in additional paid-in capital. If the tax deduction is less than the deferred tax asset, such shortfalls reduce our pool of excess tax benefits. If the pool of excess tax benefits is reduced to zero, then subsequent shortfalls would increase our income tax expense.

Valuation of Goodwill and Intangible Assets

When we acquire a business, a portion of the purchase consideration is typically allocated to acquired technology and other identifiable intangible assets, such as customer relationships. The excess of the purchase consideration over the net of the acquisition-date fair value of identifiable assets acquired and liabilities assumed is recorded as goodwill. The amounts allocated to acquired technology and other intangible assets represent our estimates of their fair values at the acquisition date. We amortize the acquired technology and other intangible assets with finite lives over their estimated useful lives. The estimation of acquisition-date fair values of intangible assets and their useful lives requires us to make assumptions and judgments, including but not limited to an evaluation of macroeconomic conditions as they relate to our business, industry and market trends, projections of future cash flows and appropriate discount rates.

We assess goodwill for impairment as of January 1 of each fiscal year, or more frequently if events or changes in circumstances indicate that the fair value of a reporting unit has been reduced below its carrying value. When conducting our annual goodwill impairment assessment, we use a three step process. The first step is to perform an optional qualitative evaluation as to whether it is more likely than not that the fair value of any of our reporting units is less than its carrying value, using an assessment of relevant events and circumstances. In performing this assessment, we are required to make assumptions and judgments including but not limited to an evaluation of macroeconomic conditions as they relate to our business, industry and market trends, as well as the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. If we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, we are not required to perform any additional tests in assessing goodwill for impairment. However, if we conclude otherwise or elect not to perform the qualitative assessment, we perform a second step for that reporting unit, consisting of a quantitative assessment of goodwill impairment. This quantitative assessment requires us to estimate the fair value of each reporting unit and compare the estimated fair value of each reporting unit, determined using a combination of the income and market approaches on an invested capital basis, to its respective carrying value (including goodwill) as of the date of the impairment test. The third step, employed for any reporting unit that fails the second step, is used to measure the amount of any potential impairment and compares the implied fair value of the reporting unit with the carrying amount of goodwill. If a reporting unit's carrying value is negative, the Company does not follow this three-step process, and instead performs a qualitative evaluation to determine whether it is more likely than not that the reporting unit's goodwill is impaired. If we determine it is more likely than not impaired, the third step discussed above is performed to determine if there is an impairment and measure the amount of any potential impairment.

Assumptions, judgments and estimates about fair values are complex and often subjective and can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy or our internal forecasts. Although we believe the assumptions, judgments and estimates used in determining the fair values of intangible assets, the associated useful lives and the fair values of our reporting units are reasonable and appropriate, different assumptions, judgments and estimates could materially affect the fair value or useful lives of our intangible assets and our goodwill impairment assessment, which could result in future impairment charges and those charges could be material to our results of operations.

Accounting for Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences of temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting purposes and their respective tax bases, along with net operating losses and tax credit carryforwards. Income taxes include U.S. and foreign income taxes, including U.S. federal taxes on undistributed earnings of foreign subsidiaries to the extent such earnings are not considered to be indefinitely reinvested outside the United States. We record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. We utilize a "more likely than not" threshold for the recognition and derecognition of tax positions and measure positions accordingly. We reflect changes in recognition or measurement in the period in which the change in judgment occurs, which can be caused by the closing of a tax audit, judicial rulings, expirations of the statute of limitations or refinements of estimates based on changing facts or circumstances. We recognize interest and penalties within income tax benefit in our consolidated statements of comprehensive loss.

We file a consolidated tax return together with Parent. Our income taxes are accounted for as if the Company filed a consolidated tax return excluding Parent.

Significant judgment is required in determining our worldwide income tax provision. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of revenue sharing and cost reimbursement arrangements among related entities and the process of identifying items of revenue and expense that qualify for preferential tax treatment. We are subject to corporate income tax audits in multiple jurisdictions and our income tax provision includes amounts intended to satisfy income tax assessments that may result from the examination of our tax returns that have been filed in these jurisdictions. Although we believe that our estimates are reasonable, the final tax outcome of these matters could be different from that which is reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision (benefit) and net earnings (loss) in the period in which such determination is made.

Our undistributed foreign earnings are not considered to be indefinitely reinvested outside the United States, and U.S. taxes are provided on such earnings. Remittances of foreign earnings to the United States are planned based on projected cash flow, working capital and investment needs of foreign and domestic operations. Based on these assumptions, we estimate the amount that will be distributed to the United States and provide U.S. federal taxes on these amounts. Material changes in our estimates could impact our effective tax rate.

In order for us to realize our deferred tax assets, we must be able to generate sufficient taxable income in those jurisdictions in which the deferred tax assets are located. We consider future market growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period in which we make such determination.

New Accounting Pronouncement Not Yet Adopted

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, and issued subsequent amendments in 2015, 2016 and 2017 (collectively, "Topic 606" or the "Standard"). Topic 606 supersedes nearly all revenue recognition guidance under existing GAAP. The core principle of Topic 606 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Topic 606 defines a five-step process to achieve this core principle and, in doing so, it is likely that more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation, among others. Topic 606 also provides guidance on the recognition of costs related to obtaining customer contracts and requires enhanced disclosures. Topic 606 will be effective for the Company in fiscal year 2020 and early application for fiscal year 2019 is permitted. Topic 606 may be applied retrospectively to each prior period presented (full retrospective method) or with the cumulative effect recognized as of the date of initial application (modified retrospective method). The Company currently anticipates that it will adopt Topic 606 using the full retrospective method but has not yet determined whether it will adopt the Standard in fiscal year 2019 or fiscal year 2020.

In fiscal year 2016, the Company established a cross-functional implementation team consisting of representatives across the organization to develop and execute a project plan, including the evaluation of customer contracts, the development of policies, processes and tools to report financial results and the evaluation and implementation of the Company's internal controls over financial reporting that will be necessary under the Standard. The implementation team has been executing on that project plan since that time.

While the Company is continuing to determine the full impact of Topic 606, it currently anticipates the Standard will have a material effect on its consolidated financial statements and related disclosures, and believes the most significant effect relates to the timing of the recognition of software license revenue. Specifically, under Topic 606, the Company currently expects to recognize substantially all software license revenue, in both perpetual licensing and term licensing arrangements, at the point in time the licensed software is transferred to the customer. This represents a substantial change to our application of existing GAAP, under which a substantial portion of our perpetual license revenue and all of our term license revenue is generally deferred and recognized ratably, most commonly over the term of the associated maintenance arrangements but in some cases over the longest expected delivery period of other undelivered elements in the arrangement. As a result, the Company also anticipates a significant reduction in deferred license revenue upon adoption of Topic 606, principally relating to the cumulative earlier recognition of deferred license revenue recognized upon software transfer to our customers. The Company currently believes that the point-in-time recognition requirement of Topic 606 will increase the volatility of its revenue and earnings period to period. The Company does not currently expect Topic 606 to have a significant effect on the timing of revenue recognition for its maintenance, SaaS and professional services contracts.

Under Topic 606, a larger portion of the Company's sales commissions and other incremental costs to acquire contracts will be subject to capitalization as compared to our application of existing GAAP. However, incremental costs related to software license deliverables will be expensed as incurred whereas under our application of current GAAP, a portion of such costs are capitalized and amortized commensurate with the timing of software license revenue recognition. Additionally, the Company currently anticipates that it will amortize incremental costs related to new customer business over an expected period of benefit of approximately five years, which is generally longer than amortization periods utilized under our application of existing GAAP. The Company is currently assessing the potential financial statement impact of these new requirements.

The Company is also currently assessing the income tax impacts related to Topic 606, mostly relating to the potential impacts from earlier recognition of revenue and the associated reduction in deferred revenue under the Standard. Subject to the Company's overall tax attributes and other factors, the adoption of Topic 606 could result in an increase in income taxes payable and accelerated cash tax payment requirements in periods subsequent to adoption of the Standard in comparison to existing tax treatment.

We do not believe Topic 606 will have a material impact on the timing of our customer contract billings and cash receipts, and thus on our operating or free cash flows, other than the potential tax impacts noted above.

Historical Information

Historical performance should not be viewed as indicative of future performance. Accordingly, there can be no assurance that the Company's results of operations, liquidity and capital resource positions will be sustained, consistent with historical levels.

Consolidated Results of Operations

Six months ended September 30, 2017 compared to the six months ended September 30, 2016

The following tables set forth the consolidated results of operations for the six months ended September 30, 2016 and 2017:

	Six Months Ended September 30,	
	2016	**2017**
	(in millions)	
Revenue:		
Perpetual license	$ 141.7	$ 142.9
Perpetual maintenance and SaaS	445.9	459.8
Term license and maintenance	175.3	220.1

Professional services	52.4	49.8
Total revenue	815.3	872.6
Operating expenses:		
Cost of license, maintenance and SaaS revenue	117.2	115.2
Cost of professional services revenue	48.0	44.1
Selling and marketing expenses	266.9	264.1
Research and development expenses	85.0	72.9
General and administrative expenses	81.1	82.7
Depreciation and amortization expenses	265.2	260.3
Gain on patent litigation, net	(215.0)	—
Total operating expenses	648.4	839.3
Operating income	166.9	33.3
Other expense, net	(195.6)	(259.8)
Loss before income taxes	(28.7)	(226.5)
Provision (benefit) for income taxes	16.0	(85.8)
Net loss	$ (44.7)	$(140.7)

As a result of the application of purchase accounting in connection with the Acquisition, certain revenue and operating expense captions are not comparable to historical periods prior to the Acquisition. As such, to aid comparability, certain additional non-GAAP revenue information is included herein to remove the effects of purchase accounting. Readers should also refer to "—Non-GAAP Financial Measures and Reconciliations" herein.

Revenue

As a result of the application of purchase accounting in connection with the Acquisition, deferred perpetual license, deferred perpetual maintenance and SaaS, deferred term license and maintenance and deferred professional services revenue balances were adjusted to their estimated fair values. These adjustments had the effect of reducing future amounts that would have been recognized into revenue from deferred revenue. To aid comparability, non-GAAP revenue information is provided herein to reflect revenue that would have been recognized had purchase accounting not been applied in connection with the Acquisition.

The following table and discussion summarize revenue on a non-GAAP basis which excludes the impact of purchase accounting applied in connection with the Acquisition:

	Six Months Ended September 30,		Percentage Change
	2016	2017	
	(in millions)		
Revenue:			
Perpetual license	$147.0	$146.1	(0.6)%
Perpetual maintenance and SaaS	462.6	469.1	1.4%
Term license and maintenance	224.6	244.8	9.0%
Professional services	52.9	50.0	(5.5)%
Total revenue	$887.1	$910.0	2.6%

We license our software under both perpetual and term license models for customer on-premise use. Under perpetual license arrangements, our customers receive the perpetual license rights to use our software and generally purchase related maintenance and support services for a specified period. Under term license arrangements, our customers receive license rights to use our software along with bundled maintenance and support services for the term of the contract. We also provide on-demand SaaS offerings for certain of our products, which provide management solutions through a hosted service rather than a traditional on-premise license model.

Perpetual License Revenue (non-GAAP basis excluding the impact of purchase accounting)

Perpetual license revenue for the six months ended September 30, 2017 was $146.1 million, a decrease of $0.9 million, or 0.6%, from the prior year period. This decrease was attributable primarily to a decrease in the recognition of license revenue that was deferred in prior periods and an increase in the percentage of perpetual license revenue deferred rather than recognized upfront, partially offset by an increase in the amount of license transaction bookings. Of the perpetual license transactions recorded, the percentage of perpetual license revenue deferred rather than recognized upfront was 31% in the current period as compared to 27% in the prior year period.

Perpetual Maintenance and SaaS Revenue (non-GAAP basis excluding the impact of purchase accounting)

Perpetual maintenance and SaaS revenue for the six months ended September 30, 2017 was $469.1 million, an increase of $6.5 million, or 1.4%, over the prior year period. SaaS revenue for the six months ended September 30, 2017 and 2016 was $44.1 million and $41.8 million, respectively.

Term License and Maintenance Revenue (non-GAAP basis excluding the impact of purchase accounting)

Term license and maintenance revenue for the six months ended September 30, 2017 was $244.8 million, an increase of $20.2 million, or 9.0%, over the prior year period, primarily due to an increase in capacity under term licenses.

Domestic vs. International Revenue (non-GAAP basis excluding the impact of purchase accounting)

	Six Months Ended September 30,		Percentage Change
	2016	2017	
	(in millions)		
Perpetual license:			
Domestic	$ 66.8	$ 75.6	13.2%
International	80.2	70.5	(12.1)%
Total perpetual license revenue	147.0	146.1	(0.6)%
Perpetual maintenance and SaaS:			
Domestic	259.0	257.1	(0.7)%
International	203.6	212.0	4.1%
Total perpetual maintenance and SaaS revenue	462.6	469.1	1.4%
Term license and maintenance:			
Domestic	108.6	116.1	6.9%
International	116.0	128.7	10.9%
Total term license and maintenance revenue	224.6	244.8	9.0%
Professional services:			
Domestic	20.9	20.7	(1.0)%
International	32.0	29.3	(8.4)%
Total professional services revenue	52.9	50.0	(5.5)%
Total domestic revenue	455.3	469.5	3.1%
Total international revenue	431.8	440.5	2.0%
Total revenue	$887.1	$910.0	2.6%

International perpetual license revenue for the six months ended September 30, 2017 decreased by $9.7 million, or 12.1%, from the prior year period, attributable primarily to decreases of $7.9 million and $2.6 million in our EMEA and Latin America markets, respectively, partially offset by an increase of $1.3 million in our Canada market.

International perpetual maintenance and SaaS revenue for the six months ended September 30, 2017 increased by $8.4 million, or 4.1%, over the prior year period, attributable to increases of $3.6 million, $3.5 million and $1.3 million in our EMEA, Latin America and Canada markets, respectively.

International term license and maintenance revenue for the six months ended September 30, 2017 increased by $12.7 million, or 10.9%, over the prior year period, attributable primarily to increases of $7.8 million, $2.9 million and $1.5 million in our EMEA, Asia Pacific and Canada markets, respectively.

Professional Services Revenue (non-GAAP basis excluding the impact of purchase accounting)

Professional services revenue for the six months ended September 30, 2017 decreased by $2.9 million, or 5.5%, from the prior year period, primarily due to a $2.7 million, or 8.4%, decrease in international professional services revenue. This decrease was attributable to decreases in implementation, consulting and education revenue period over period.

Operating Expenses

	Six Months Ended September 30,		Percentage Change
	2016	2017	
	(in millions)		
Cost of license, maintenance and SaaS revenue	$ 117.2	$115.2	(1.7)%
Cost of professional services revenue	48.0	44.1	(8.1)%
Selling and marketing expenses	266.9	264.1	(1.0)%
Research and development expenses	85.0	72.9	(14.2)%
General and administrative expenses	81.1	82.7	2.0%
Depreciation and amortization expenses	265.2	260.3	(1.8)%
Gain on patent litigation, net	(215.0)	—	nm
Total operating expenses	$ 648.4	$839.3	29.4%

Cost of License, Maintenance and SaaS Revenue

Cost of license, maintenance and SaaS revenue consists primarily of royalties to third parties; production and distribution costs for initial product licenses; the costs associated with customer support and research and development personnel that provide maintenance, enhancement and support services to our customers; internal and third party infrastructure hosting and support costs associated with our SaaS offerings; and the amortization of share-based compensation components of capitalized software development costs. For the six months ended September 30, 2017 and 2016, cost of license, maintenance and SaaS revenue was $115.2 million, or 13.2%, and $117.2 million, or 14.4%, of total revenue, respectively, and 14.0% and 15.4% of license, maintenance and SaaS revenue, respectively.

Cost of license, maintenance and SaaS revenue for the six months ended September 30, 2017 decreased by $2.0 million, or 1.7%, from the prior year period, attributable primarily to a $1.8 million decrease in third party SaaS hosting and support costs and a $1.6 million decrease in third party subcontracting fees, partially offset by a $1.3 million increase in personnel costs, principally due to an increase in personnel costs allocated to maintenance rather than development projects.

Cost of Professional Services Revenue

Cost of professional services revenue consists primarily of salaries, related personnel costs and third party subcontracting fees associated with implementation, consulting and education services that we provide to our customers and the related infrastructure to support this business. For the six months ended September 30, 2017 and 2016, cost of professional services revenue was $44.1 million, or 5.1%, and $48.0 million, or 5.9%, of total revenue, respectively, and 88.6% and 91.6% of professional services revenue, respectively.

Cost of professional services revenue for the six months ended September 30, 2017 decreased by $3.9 million, or 8.1%, from the prior year period. This decrease was attributable to a $2.7 million decrease in personnel and related costs, principally due to cost savings initiatives and a decrease in travel-related expenses, and a $1.2 million decrease in third party subcontracting fees.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of salaries, related personnel costs, sales commissions and costs associated with advertising, marketing, industry trade shows and sales seminars. For the six months ended September 30, 2017 and 2016, selling and marketing expenses were $264.1 million, or 30.3%, and $266.9 million, or 32.7%, of total revenue, respectively.

Selling and marketing expenses for the six months ended September 30, 2017 decreased by $2.8 million, or 1.0%, from the prior year period. This decrease was attributable primarily to a $2.6 million decrease in third party subcontracting fees, a $2.2 million decrease in bad debt expense and a $2.1 million decrease in marketing expenses, partially offset by a $4.8 million increase in sales personnel and related costs, principally due to increases in variable compensation and travel-related expenses.

Research and Development Expenses

Research and development expenses consist primarily of salaries and related personnel costs and third party subcontracting fees related to software developers and development support personnel, including product management, software programmers, testing and quality assurance personnel and writers of technical documentation, such as product manuals and installation guides. These expenses also include computer hardware and software costs, telecommunications costs and personnel costs associated with our development and production labs. For the six months ended September 30, 2017 and 2016, research and development expenses were $72.9 million, or 8.4%, and $85.0 million, or 10.4%, of total revenue, respectively.

Research and development expenses for the six months ended September 30, 2017 decreased by $12.1 million, or 14.2%, from the prior year period. This decrease was attributable to a $6.6 million decrease in personnel and related costs, principally due to decreases in headcount and travel-related expenses and an increase in personnel costs allocated to maintenance rather than development projects, a $2.0 million decrease in third party subcontracting fees, a $1.6 million decrease in share-based compensation expense and a $1.9 million net decrease in other expenses.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related personnel costs of executive management, finance and accounting, IT, legal and human resources. Other costs included in general and administrative expenses include fees paid for outside accounting and legal services, consulting projects and insurance. For the six months ended September 30, 2017 and 2016, general and administrative expenses were $82.7 million, or 9.5%, and $81.1 million, or 9.9%, of total revenue, respectively.

General and administrative expenses for the six months ended September 30, 2017 increased by $1.6 million, or 2.0%, over the prior year period. This increase was attributable to a $5.2 million increase in professional fees, including an increase in patent infringement litigation costs, and a $1.9 million increase in share-based compensation, partially offset by a $4.3 million decrease in personnel costs, principally due to a decrease in bonus and incentive compensation, and a $1.2 million net decrease in other expenses.

Depreciation and Amortization Expenses

Depreciation and amortization expenses consist primarily of depreciation of fixed assets, the amortization of capitalized software development costs for internally developed products and the amortization of acquired technology, customer relationships and other intangible assets recorded in connection with our business combinations. For the six months ended September 30, 2017 and 2016, depreciation and amortization expenses were $260.3 million and $265.2 million, respectively.

Depreciation and amortization expenses for the six months ended September 30, 2017 decreased by $4.9 million, or 1.8%, from the prior year period, attributable primarily to a decrease in the amortization related to software development costs and a decrease in the amortization of intangible assets.

Gain on Patent Litigation, Net

Gain on patent litigation, net, for the six months ended September 30, 2016 of $215.0 million represents proceeds from the confidential settlement agreement (the “Settlement Agreement”) with ServiceNow to resolve certain patent infringement litigation, net of related contingent legal fees.

Other Expense, Net

Other expense, net, consists primarily of interest expense on our outstanding borrowings, foreign currency gains and losses, interest earned and realized gains and losses on investments. Other expense, net, for the six months ended September 30, 2017 and 2016 was $259.8 million and $195.6 million, respectively.

Other expense, net, for the six months ended September 30, 2017 increased by $64.2 million, or 32.8%, over the prior year period, attributable to a $42.7 million increase in unrealized losses on derivative instruments, an $11.9 million increase in foreign currency losses, an $8.4 million loss on extinguishment of debt and $8.1 million of fees associated with the Credit Agreement Amendment, partially offset by a $5.8 million decrease in interest expense, principally due to refinancing of the Term Loans and repayment of senior notes, and a $1.1 million net increase in other income.

Income Taxes

Income tax benefit was $85.8 million for the six months ended September 30, 2017, resulting in an effective tax rate of 37.9%. For the six months ended September 30, 2016, income tax provision was $16.0 million on a pre-tax loss of $28.7 million, due primarily to the tax expense related to the patent litigation settlement proceeds received in April 2016.

Our effective tax rate generally differs from the U.S. federal statutory rate of 35% due to favorable tax rates associated with earnings from lower tax rate jurisdictions throughout the world as well as due to additional accruals, changes in estimates, releases and settlements with taxing authorities related to our uncertain tax positions and benefits associated with income attributable to the extraterritorial income exclusion and production activities deduction. Our effective tax rate could fluctuate on a quarterly basis and could be adversely affected to the extent forecasted earnings for the year are lower than anticipated in countries with lower statutory rates and higher than anticipated in countries with higher statutory rates as well as the impact of repatriations. For the six months ended September 30, 2017, our effective tax rate related to the income tax benefit was adversely impacted by approximately 20% for the U.S. income tax impacts of forecasted repatriations for the year ending March 31, 2018. For the six months ended September 30, 2016, our effective tax rate was adversely impacted by an increase in the valuation allowance primarily due to changes in estimates of the utilization of foreign tax credits.

Year ended March 31, 2017 compared to the year ended March 31, 2016

The following tables set forth the consolidated results of operations for the years ended March 31, 2016 and 2017:

	Year Ended March 31,	
	2016	2017
	(in millions)	
Revenue:		
Perpetual license	$ 359.9	$ 364.5
Perpetual maintenance and SaaS	819.8	895.9
Term license and maintenance	293.0	373.2
Professional services	110.1	104.9
Total revenue	1,582.8	1,738.5
Operating expenses:		
Cost of license, maintenance and SaaS revenue	240.8	245.6
Cost of professional services revenue	110.3	94.4
Selling and marketing expenses	554.5	553.1
Research and development expenses	160.2	166.9
General and administrative expenses	184.6	165.8
Depreciation and amortization expenses	517.8	530.9
Gain on patent litigation, net	—	(215.0)
Total operating expenses	1,768.2	1,541.7
Operating income (loss)	(185.4)	196.8
Other expense, net	(367.7)	(367.0)
Loss before income taxes	(553.1)	(170.2)
Benefit for income taxes	(155.3)	(100.5)
Net loss	$ (397.8)	$ (69.7)

As a result of the application of purchase accounting in connection with the Acquisition, certain revenue and operating expense captions are not comparable to historical periods prior to the Acquisition. As such, to aid comparability, certain additional non-GAAP revenue information is included herein to remove the effects of purchase accounting. Readers should also refer to "—Non-GAAP Financial Measures and Reconciliations" herein.

Revenue

As a result of the application of purchase accounting in connection with the Acquisition, deferred perpetual license, deferred perpetual maintenance and SaaS, deferred term license and maintenance and deferred professional services revenue balances were adjusted to their estimated fair values. These adjustments had the effect of reducing future amounts that would have been recognized into revenue from deferred revenue. To aid comparability, non-GAAP revenue information is provided herein to reflect revenue that would have been recognized had purchase accounting not been applied in connection with the Acquisition.

The following table and discussion summarize revenue on a non-GAAP basis which excludes the impact of purchase accounting applied in connection with the Acquisition:

	Year Ended March 31,		Percentage Change
	2016	2017	
	(in millions)		
Revenue:			
Perpetual license	$ 382.0	$ 374.0	(2.1)%
Perpetual maintenance and SaaS	892.6	923.8	3.5%
Term license and maintenance	430.4	459.5	6.8%
Professional services	111.3	105.6	(5.1)%
Total revenue	$1,816.3	$1,862.9	2.6%

We license our software under both perpetual and term license models for customer on-premise use. Under perpetual license arrangements, our customers receive the perpetual license rights to use our software and generally purchase related maintenance and support services for a specified period. Under term license arrangements, our customers receive license rights to use our software along with bundled maintenance and support services for the term of the contract. We also provide on-demand SaaS offerings for certain of our products, which provide management solutions through a hosted service rather than a traditional on-premise license model.

Perpetual License Revenue (non-GAAP basis excluding the impact of purchase accounting)

Perpetual license revenue in fiscal 2017 was $374.0 million, a decrease of $8.0 million, or 2.1%, from fiscal 2016. This decrease was attributable primarily to a decrease in the amount of perpetual license transaction bookings recognized upfront rather than deferred, partially offset by an increase in the recognition of perpetual license revenue that was deferred in prior periods. Of the perpetual license transactions recorded, the percentage of perpetual license revenue deferred rather than recognized upfront was 34% in the current fiscal year as compared to 29% in the prior fiscal year.

Perpetual Maintenance and SaaS Revenue (non-GAAP basis excluding the impact of purchase accounting)

Perpetual maintenance and SaaS revenue for fiscal 2017 was $923.8 million, an increase of $31.2 million, or 3.5%, over fiscal 2016. This increase was attributable primarily to an increase in the recognition of maintenance revenue that was deferred in prior periods and an increase in SaaS revenue due to an increased subscriber base. SaaS revenue for fiscal 2017 and 2016 was $82.3 million and $67.2 million, respectively.

Term License and Maintenance Revenue (non-GAAP basis excluding the impact of purchase accounting)

Term license and maintenance revenue for fiscal 2017 was $459.5 million, an increase of $29.1 million, or 6.8%, over fiscal 2016, primarily due to an increase in capacity under term licenses.

Domestic vs. International Revenue (non-GAAP basis excluding the impact of purchase accounting)

	Year Ended March 31,		Percentage Change
	2016	2017	
	(in millions)		
Perpetual license:			
Domestic	$ 186.1	$ 172.7	(7.2)%
International	195.9	201.3	2.8%
Total perpetual license revenue	382.0	374.0	(2.1)%
Perpetual maintenance and SaaS:			
Domestic	518.0	518.6	0.1%
International	374.6	405.2	8.2%
Total perpetual maintenance and SaaS revenue	892.6	923.8	3.5%
Term license and maintenance:			
Domestic	212.0	223.0	5.2%
International	218.4	236.5	8.3%
Total term license and maintenance revenue	430.4	459.5	6.8%
Professional services:			
Domestic	46.3	43.6	(5.8)%
International	65.0	62.0	(4.6)%
Total professional services revenue	111.3	105.6	(5.1)%
Total domestic revenue	962.4	957.9	(0.5)%
Total international revenue	853.9	905.0	6.0%
Total revenue	$1,816.3	$1,862.9	2.6%

International perpetual license revenue for fiscal 2017 increased by $5.4 million, or 2.8%, over fiscal 2016, attributable to increases of $11.6 million and $6.1 million in our EMEA and Latin America markets, respectively, partially offset by decreases of $9.5 million and $2.8 million in our Asia Pacific and Canada markets, respectively.

International perpetual maintenance and SaaS revenue for fiscal 2017 increased by $30.6 million, or 8.2%, over fiscal 2016, attributable to increases of $22.2 million, $5.0 million, $2.4 million and $1.0 million in our EMEA, Latin America, Canada and Asia Pacific markets, respectively.

International term license and maintenance revenue for fiscal 2017 increased by $18.1 million, or 8.3%, over fiscal 2016, attributable primarily to increases of $10.3 million and $7.7 million in our EMEA and Asia Pacific markets, respectively.

Professional Services Revenue (non-GAAP basis excluding the impact of purchase accounting)

Professional services revenue for fiscal 2017 decreased by $5.7 million, or 5.1%, from fiscal 2016, which is reflective of a $2.7 million, or 5.8%, decrease in domestic professional services revenue and a $3.0 million, or 4.6%, decrease in international professional services revenue. These decreases were attributable to decreases in implementation, consulting and education revenue period over period.

Operating Expenses

	Year Ended March 31, 2016	2017	Percentage Change
	(in millions)		
Cost of license, maintenance and SaaS revenue	$ 240.8	$ 245.6	2.0%
Cost of professional services revenue	110.3	94.4	(14.4)%
Selling and marketing expenses	554.5	553.1	(0.3)%
Research and development expenses	160.2	166.9	4.2%
General and administrative expenses	184.6	165.8	(10.2)%
Depreciation and amortization expenses	517.8	530.9	2.5%
Gain on patent litigation, net	—	(215.0)	nm
Total operating expenses	$1,768.2	$1,541.7	(12.8)%

Cost of License, Maintenance and SaaS Revenue

Cost of license, maintenance and SaaS revenue consists primarily of royalties to third parties; production and distribution costs for initial product licenses; the costs associated with customer support and research and development personnel that provide maintenance, enhancement and support services to our customers; internal and third party infrastructure hosting and support costs associated with our SaaS offerings; and the amortization of share-based compensation components of capitalized software development costs. For fiscal 2017 and 2016, cost of license, maintenance and SaaS revenue was $245.6 million, or 14.1%, and $240.8 million, or 15.2%, of total revenue, respectively, and 15.0% and 16.4% of license, maintenance and SaaS revenue, respectively.

Cost of license, maintenance and SaaS revenue for fiscal 2017 increased by $4.8 million, or 2.0%, over fiscal 2016, attributable primarily to a $4.5 million increase in royalties expenses, a $1.6 million increase in allocated facilities expenses and a $1.3 million increase in share-based compensation expense, partially offset by a $3.0 million decrease in third party subcontracting fees.

Cost of Professional Services Revenue

Cost of professional services revenue consists primarily of salaries, related personnel costs and third party subcontracting fees associated with implementation, consulting and education services that we provide to our customers and the related infrastructure to support this business. For fiscal 2017 and 2016, cost of professional services revenue was $94.4 million, or 5.4%, and $110.3 million, or 7.0%, of total revenue, respectively, and 90.0% and 100.2% of professional services revenue, respectively.

Cost of professional services revenue for fiscal 2017 decreased by $15.9 million, or 14.4%, from fiscal 2016. This decrease was attributable primarily to a $13.9 million decrease in personnel and related costs, principally due to cost saving initiatives and a decrease in travel-related expenses, and a $1.1 million decrease in third party subcontracting fees.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of salaries, related personnel costs, sales commissions and costs associated with advertising, marketing, industry trade shows and sales seminars. For fiscal 2017 and 2016, selling and marketing expenses were $553.1 million, or 31.8%, and $554.5 million, or 35.0%, of total revenue, respectively.

Selling and marketing expenses for fiscal 2017 decreased by $1.4 million, or 0.3%, from fiscal 2016. This decrease was attributable to a $3.9 million decrease in allocated facilities expenses, a $2.3 million decrease in sales personnel and related costs, principally due to a decrease in travel-related expenses, a $2.0 million decrease in bad debt expense and a $1.3 million decrease in marketing expenses, partially offset by a $3.6 million increase in share-based compensation expense and a $4.5 million net increase in other expenses.

Research and Development Expenses

Research and development expenses consist primarily of salaries and related personnel costs and third party subcontracting fees related to software developers and development support personnel, including product management, software programmers, testing and quality assurance personnel and writers of technical documentation, such as product manuals and installation guides. These expenses also include computer hardware and software costs, telecommunications costs and personnel costs associated with our development and production labs. For fiscal 2017 and 2016, research and development expenses were $166.9 million, or 9.6%, and $160.2 million, or 10.1%, of total revenue, respectively.

Research and development expenses for fiscal 2017 increased by $6.7 million, or 4.2%, over fiscal 2016. This increase was attributable primarily to a $24.6 million decrease in capitalized research and development costs related to software development projects due to the adoption of more agile research and development methods and a $4.2 million increase in share-based compensation expense, partially offset by a $13.0 million decrease in personnel and related costs, principally due to cost saving initiatives, and an $8.4 million decrease in allocated facilities expenses.

Beginning in fiscal 2016, the Company adopted more agile research and development methods for the majority of its product lines, which has the effect of decreasing the amounts of software development costs capitalized.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related personnel costs of executive management, finance and accounting, facilities management, legal and human resources. Other costs included in general and administrative expenses include fees paid for outside accounting and legal services, consulting projects and insurance. For fiscal 2017 and 2016, general and administrative expenses were $165.8 million, or 9.5%, and $184.6 million, or 11.7%, of total revenue, respectively.

General and administrative expenses for fiscal 2017 decreased by $18.8 million, or 10.2%, from fiscal 2016. This decrease was attributable to a $13.2 million decrease in other professional fees, principally due to a decrease in patent infringement litigation costs and merger-related costs incurred in the prior year, a $3.6 million decrease in facilities expenses, a $2.1 million decrease in personnel costs and a $2.7 million net decrease in other expenses, partially offset by a $2.8 million increase in share-based compensation expense.

Depreciation and Amortization Expenses

Depreciation and amortization expenses consist primarily of depreciation of fixed assets, the amortization of capitalized software development costs for internally developed products and the amortization of acquired technology, customer relationships and other intangible assets recorded in connection with our business combinations, including the Acquisition. For fiscal 2017 and 2016, depreciation and amortization expenses were $530.9 million and $517.8 million, respectively.

Depreciation and amortization expenses for fiscal 2017 increased by $13.1 million, or 2.5%, over fiscal 2016, attributable primarily to increased amortization related to software development costs.

Gain on Patent Litigation, Net

Gain on patent litigation, net, for the year ended March 31, 2017 of $215.0 million represents proceeds from the Settlement Agreement with ServiceNow to resolve certain patent infringement litigation, net of related contingent legal fees.

Other Expense, Net

Other expense, net, consists primarily of interest expense on our outstanding borrowings, foreign currency gains and losses, interest earned and realized gains and losses on investments. Other expense, net, for fiscal 2017 and 2016 was $367.0 million and $367.7 million, respectively.

Other expense, net, for fiscal 2017 decreased by $0.7 million, or 0.2%, from fiscal 2016, attributable to a $22.0 million gain on derivative instruments and a $1.4 million increase in other income, partially offset by an $11.5 million increase in foreign currency losses, a $6.6 million premium on prepayment of debt and a $4.6 million increase in interest expense.

Income Taxes

Income tax benefit was $100.5 million and $155.3 million for fiscal 2017 and 2016, respectively, resulting in effective tax rates of 59.0% and 28.1%, respectively.

Our effective tax rate generally differs from the U.S. federal statutory rate of 35% due to favorable tax rates associated with earnings from lower tax rate jurisdictions throughout the world as well as due to additional accruals, changes in estimates, releases and settlements with taxing authorities related to our uncertain tax positions and benefits associated with income attributable to the extraterritorial income exclusion. Our effective tax rate could fluctuate on a quarterly basis and could be adversely affected to the extent forecasted earnings for the year are lower than anticipated in countries with lower statutory rates and higher than anticipated in countries with higher statutory rates. In addition, for the year ended March 31, 2017, our effective tax rate was impacted by a decrease in the valuation allowance of approximately $68.5 million, primarily due to changes in estimates of the utilization of foreign tax credits.

On October 11, 2016, the Spanish Supreme Court rendered an unfavorable ruling against the Company regarding Spanish Non Resident Income Tax derived from payments carried out by Spanish tax resident customers. As a result, the Company recorded additional tax expense of approximately $15 million, including related penalties and interest, during the year ended March 31, 2017.

Non-GAAP Financial Measures and Reconciliations

The accompanying consolidated financial statements included in this offering circular have been prepared in accordance with GAAP. Our management and Board of Directors also evaluate our results of operations based on non-GAAP measures including: (i) Non-GAAP EBITDA, which represents net income (loss) before other expense (net), provision (benefit) for income taxes, depreciation and amortization expenses and other adjustments as described in the table below (including the removal of certain purchase accounting adjustments) and (ii) Consolidated EBITDA, which represents Non-GAAP EBITDA further adjusted for additional items as described in the table below and as prescribed by our Senior Secured Credit Facilities, the indenture governing our Existing 2021 Notes and the Indenture governing the notes. Consolidated EBITDA is principally evaluated on a trailing twelve-month basis. A reconciliation of each of these non-GAAP financial measures to our GAAP net loss is included below.

We believe that the presentation of Non-GAAP EBITDA provides meaningful supplemental information regarding our operating results because it excludes amounts that management and the Board of Directors do not consider part of core operating results when assessing the performance of the organization. Additionally, we believe that the presentation of Consolidated EBITDA is useful to debt holders and other interested parties because it provides additional information to measure our performance and evaluate our ability to service our debt, consistent with the definition of Consolidated EBITDA in our Senior Secured Credit Facilities, the indenture governing our Existing 2021 Notes and the Indenture governing the notes.

While we believe that these non-GAAP financial measures provide useful supplemental information, there are limitations associated with the use of these non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with GAAP, do not reflect a comprehensive system of accounting and may not be completely comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation between companies. Items that are excluded from our non-GAAP financial measures can have a material impact on net income (loss). As a result, these non-GAAP financial measures should not be considered in isolation from, or as a substitute for, net income (loss), cash flow from operations or other measures of performance prepared in accordance with GAAP. We compensate for these limitations by using these non-GAAP financial measures as supplements to GAAP financial measures and by reconciling the non-GAAP financial measures to their most comparable GAAP financial measure. Readers should review the reconciliations of these non-GAAP financial measures to their most comparable GAAP financial measures below.

The following table reconciles our net loss to Non-GAAP EBITDA and Consolidated EBITDA for the periods presented:

	Year Ended March 31,		Six Months Ended September 30,		Twelve Months Ended September 30,
	2016	2017	2016	2017	2017
			(in millions)		
Net loss	$(397.8)	$ (69.7)	$ (44.7)	$(140.7)	$(165.5)
Other expense, net	367.7	367.0	195.6	259.8	431.3
Provision (benefit) for income taxes	(155.3)	(100.5)	16.0	(85.8)	(202.5)
Depreciation and amortization expenses	517.8	530.9	265.2	260.3	525.9
Share-based compensation expense(1)	28.1	40.1	21.4	22.1	40.9
Acquisition integration and related costs(2)	2.2	0.1	—	—	—
Severance, restructuring and other costs (3)	25.8	22.5	8.2	7.8	22.1
Sponsor management fees(4)	10.7	11.1	5.2	5.2	11.2
Patent litigation costs(5)	9.3	1.4	0.3	3.2	4.3
Gain on patent litigation, net(6)	—	(215.0)	(215.0)	—	—
Certain legal, settlement and related costs(7)	—	6.4	1.8	0.6	5.2
Purchase accounting impact of the Acquisition:					
Perpetual license revenue(8)	22.1	9.5	5.3	3.2	7.3
Perpetual maintenance and SaaS revenue(8)	72.8	27.9	16.7	9.3	20.7
Term license and maintenance revenue(8)	137.4	86.3	49.3	24.7	61.6
Professional services revenue(8)	1.2	0.7	0.5	0.2	0.5
Deferred costs and other expenses(8)	(1.6)	(3.9)	(2.4)	(0.9)	(2.3)
Non-GAAP EBITDA	$ 640.4	$ 714.8	$ 323.4	$ 369.0	$ 760.7
Actioned cost savings(9)	32.4	3.0			0.6
Additional Credit Agreement and Indenture adjustments(10)	19.7	9.8			10.8
Consolidated EBITDA	$ 692.5	$ 727.6			$ 772.1

(1) ***Share-based compensation expense.*** Represents share-based compensation expense related to the granting of share-based awards to key employees by the Company.

(2) ***Acquisition integration and related costs.*** Represents acquisition integration and related costs consisting primarily of outside financial advisory, legal and consulting fees.

(3) ***Severance, restructuring and other costs.*** Primarily represents severance, restructuring and other costs, and any subsequent changes in estimates, related to initiatives taken to reduce our cost structure and enhance operating effectiveness, improve profitability and eliminate certain redundancies. These activities impacted different functional areas of our operations in different locations and were undertaken to meet specific

business objectives. Other costs also include expenses associated with the Company's adoption of new accounting standards.

(4) ***Sponsor management fees.*** Represents amounts paid to the Sponsors pursuant to the terms of an advisory and payment agreement.

(5) ***Patent litigation costs.*** Represents third-party legal fees and other costs incurred to defend the Company's intellectual property.

(6) ***Gain on patent litigation, net.*** Represents proceeds received as a result of the Settlement Agreement entered into during the year ended March 31, 2017 and the six months ended September 30, 2016 with ServiceNow to resolve the patent infringement litigation, net of contingent third-party legal fees incurred.

(7) ***Certain legal, settlement and related costs.*** Represents legal, settlement and related costs associated with specific matters that the Company does not consider part of its core operations or operating results.

(8) ***Purchase accounting impact of the Acquisition.*** Represents the net revenues and certain operating expenses (primarily representing the expense associated with deferred commissions and royalties) that would have been recognized had the Company not recorded adjustments to fair value in connection with the purchase accounting for the Acquisition. This adjustment for fiscal years 2016 and 2017 excludes $61.6 million and $30.2 million, respectively, of pro forma amortization expense related to the pre-Acquisition capitalization of software development costs for internally developed products that would have been recognized in these periods, which has no impact on EBITDA. This adjustment for the six months ended September 30, 2016 and 2017 and the twelve months ended September 30, 2017 excludes $18.1 million, $4.0 million and $16.1 million, respectively, of pro forma amortization expense related to the pre-Acquisition capitalization of software development costs for internally developed products that would have been recognized in these periods, which has no impact on EBITDA.

(9) ***Actioned cost savings.*** Represents cost saving initiatives, including reductions in headcount and employee-related costs, that had already been taken or initiated on or before the end of the respective periods.

(10) ***Additional Credit Agreement and Indenture adjustments.*** Represents additional adjustments included in the determination of Consolidated EBITDA (as defined in the Senior Secured Credit Facilities, the indenture governing the Existing 2021 Notes and the Indenture governing the notes), which include items such as add backs of certain expenses and one-time costs.

Liquidity and Capital Resources

Six months ended September 30, 2017 compared to the six months ended September 30, 2016

As a result of the Acquisition, we have a significant amount of indebtedness and are highly leveraged. As of September 30, 2017, we have approximately $5.2 billion of long-term borrowings, including approximately $3.4 billion of senior secured term loans (the "Term Loans") and approximately $1.8 billion of senior unsecured notes. We also have an additional $350.0 million in borrowing capacity available under the Revolving Facility (subject to limitations based on a maximum first lien net leverage ratio, as defined therein), of which $27.4 million is committed to support outstanding letters of credit, guarantees and similar instruments.

In April 2017, the Company amended the Senior Secured Credit Facilities (the "Credit Agreement Amendment") to extend the maturity date of the Term Loans to September 2022 (accelerated to April 2021 if the aggregate principal balance of the Existing 2021 Notes is more than $700.0 million on April 15, 2021), which may be further extended in accordance with the terms of the Senior Secured Credit Facilities, and to refinance the principal amounts. The Credit Agreement Amendment resulted in outstanding principal amounts under the U.S. Term Loans, the Foreign USD Term Loans and the Foreign Euro Term Loans of $2,354.1 million, $284.7 million and €690.0 million, respectively. The Credit Agreement Amendment also reduced the interest rate floor applicable to the Foreign Euro Term Loans from 1.0% to 0.0%, and the spread for the U.S. Term Loans will be reduced from 4.0% to 3.75% if the first lien leverage ratio (as defined therein) is less than or equal to 3.75:1.00.

The Credit Agreement Amendment resulted in the repayment of debt with certain lenders in the syndicate for total repayments of $629.9 million, and the Company recognized a loss on extinguishment of debt of $8.4

million, representing the write-off of unamortized discount and debt issuance costs associated with the debt extinguishment. The Credit Agreement Amendment also resulted in new borrowings from certain lenders in the syndicate with proceeds totaling $620.5 million, net of a discount of $8.4 million and $8.5 million in debt issuance costs.

The Term Loans require quarterly principal payments of 0.25% of the amended original principal amount, with the balance payable at maturity.

Also during the six months ended September 30, 2017, the Company terminated one of the Foreign Cross Currency Swaps with a notional amount of $50.0 million for proceeds of $10.3 million, representing the fair value of the swap on the termination date. The total notional amounts of the remaining Foreign Cross Currency Swaps match the outstanding principal balance of the Foreign USD Term Loans after the effects of the Credit Agreement Amendment.

As of September 30, 2017, we had outstanding letters of credit, guarantees and similar instruments of approximately $50.1 million (including $27.4 million outstanding under the Revolving Facility), primarily in support of performance obligations to various customers but also related to facilities and other obligations.

At September 30, 2017, we had $579.2 million in cash and cash equivalents, approximately 62% of which was held by our international subsidiaries and was largely generated from our international operations.

We expect that our primary liquidity requirements will be for debt service, working capital, capital expenditures and potential acquisitions of technologies or businesses. Additionally, we expect to declare cash dividends or make loans to Parent from time to time for debt servicing or other liquidity requirements of Parent, subject to limitations prescribed by the Company's debt agreements. Our ability to make scheduled payments on, or to refinance, our debt obligations and to fund our operations and capital expenditure requirements depends on our financial condition and operating performance, which in turn are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. While we can offer no assurances, we believe that our existing cash balances, funds generated from operating activities and available credit will be sufficient to meet our working and other capital requirements for the foreseeable future.

The following table and discussion summarize our cash flows for the six months ended September 30, 2016 and 2017:

	Six Months Ended September 30,	
	2016	2017
	(in millions)	
Net cash provided by operating activities	$ 260.4	$ 36.7
Net cash used in investing activities	(35.8)	(35.5)
Net cash used in financing activities	(195.1)	(69.9)
Effect of exchange rate changes on cash and cash equivalents	1.1	19.5
Net change in cash and cash equivalents	$ 30.6	$(49.2)

Cash Flows from Operating Activities

Net cash provided by operating activities for the six months ended September 30, 2017 of $36.7 million reflects the GAAP net loss from operations, adjusted for the impact of non-cash income and expenses, as well as the net impact of working capital changes. During the six months ended September 30, 2017, cash flows from operating activities include the impact of payments related to share-based awards and hurricane relief. On a pro forma basis, excluding the impact of these payments, cash provided by operating activities for the six months ended September 30, 2017 would be $40.9 million. Net cash provided by operating activities for the six months ended September 30, 2016 was $260.4 million, attributable primarily to the receipt of $215.0 million in net proceeds received as a result of the Settlement Agreement entered into during the six months ended September 30, 2016 with ServiceNow to resolve the patent infringement litigation, as well as the GAAP net loss from operations, adjusted for the impact of non-cash income and expenses, and the net impact of working capital changes. On a pro forma basis, excluding the impact of the net patent infringement litigation proceeds, cash provided by operating activities for the six months ended September 30, 2016 would be $45.4 million.

Cash Flows from Investing Activities

Net cash used in investing activities for the six months ended September 30, 2017 was $35.5 million, attributable to payments for property and equipment, the capitalization of software development costs and cash paid for premiums on derivative instruments, net. Net cash used in investing activities for the six months ended September 30, 2016 was $35.8 million, attributable to purchases of property and equipment and the capitalization of software development costs, partially offset by maturities of investments.

Cash Flows from Financing Activities

Net cash used in financing activities for the six months ended September 30, 2017 was $69.9 million, attributable to net payments related to the Term Loan refinancing, repayments of borrowings and capital lease obligations and dividends paid to Parent, partially offset by proceeds from the termination of a derivative instrument. Net cash used in financing activities for the six months ended September 30, 2016 was $195.1 million, attributable to purchases of Parent debt, dividends paid to Parent and repayments of borrowings and capital lease obligations.

Year ended March 31, 2017 compared to the year ended March 31, 2016

The following table and discussion summarize our cash flows for the years ended March 31, 2017 and 2016:

	Year Ended March 31,	
	2016	2017
	(in millions)	
Net cash provided by operating activities	$ 150.4	$ 638.4
Net cash used in investing activities	(134.7)	(61.4)
Net cash used in financing activities	(119.2)	(354.4)
Effect of exchange rate changes on cash and cash equivalents	1.5	(4.2)
Net change in cash and cash equivalents	$(102.0)	$ 218.4

Cash Flows from Operating Activities

Net cash provided by operating activities for the year ended March 31, 2017 was $638.4 million, attributable primarily to the receipt of $215.0 million in net proceeds received as a result of the Settlement Agreement entered into during the year with ServiceNow to resolve the patent infringement litigation, as well as the GAAP net loss from operations, adjusted for the impact of non-cash income and expenses, and the net impact of working capital changes. During the year ended March 31, 2017, cash flows from operating activities include the impact of cash payments related to the net patent infringement litigation proceeds and payments related to certain merger-related costs and share-based awards. On a pro forma basis, excluding the impact of the net patent infringement litigation proceeds and cash payments for certain merger-related costs and share-based awards, cash provided by operating activities for the year ended March 31, 2017 would be $435.0 million. Net cash provided by operating activities for the year ended March 31, 2016 of $150.4 million reflects the GAAP net loss from operations, adjusted for the impact of non-cash income and expenses, as well as the net impact of working capital changes. During the year ended March 31, 2016, cash flows from operating activities include the impact of cash payments related to share-based awards. On a pro forma basis, excluding the impact of these payments, net cash provided by operating activities for the year ended March 31, 2016 would be $165.5 million.

Beginning in fiscal 2016, the Company adopted more agile research and development methods for the majority of its product lines, which has the effect of decreasing the amounts of software development costs capitalized. In the Company's consolidated statements of cash flows, this change had the effect of decreasing cash used in investing activities and decreasing cash provided by operating activities; however, this does not have any impact on free cash flows or total cash flows.

Cash Flows from Investing Activities

Net cash used in investing activities for the year ended March 31, 2017 was $61.4 million, attributable primarily to purchases of property and equipment and the capitalization of software development costs, partially offset by maturities of investments. Net cash used in investing activities for the year ended March 31, 2016 was $134.7 million, attributable to purchases of property and equipment, the capitalization of software development costs, cash paid for acquisitions and purchases of investments.

Beginning in fiscal 2016, the Company adopted more agile research and development methods for the majority of its product lines, which has the effect of decreasing the amounts of software development costs capitalized. In the Company's consolidated statements of cash flows, this change had the effect of decreasing cash used in investing activities and decreasing cash provided by operating activities; however, this does not have any impact on free cash flows or total cash flows.

Cash Flows from Financing Activities

Net cash used in financing activities for the year ended March 31, 2017 was $354.4 million, attributable to the repayments of borrowings and capital lease obligations, purchases of Parent debt and dividends paid to Parent. Net cash used in financing activities for the year ended March 31, 2016 was $119.2 million, attributable to dividends paid to Parent and repayments of borrowings and capital lease obligations.

Contractual Obligations

The following is a summary of our contractual obligations at March 31, 2017:

	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years	Total
			(in millions)		
Secured and unsecured long-term borrowings(1)	$357.6	$891.0	$5,194.2	$29.1	$6,471.9
Capital lease obligations(2)	7.9	7.7	—	—	15.6
Operating lease obligations	28.4	42.1	27.2	33.9	131.6
Purchase obligations(3)	17.9	16.0	—	—	33.9
Other long-term liabilities reflected on the balance sheet(2)	3.3	2.8	—	0.7	6.8
Total contractual obligations(4)(5)	$415.1	$959.6	$5,221.4	$63.7	$6,659.8

(1) Amounts represent the principal and interest payments relating to our long-term debt and assume that the revolving loans remain undrawn, which may not reflect future events.

(2) Represents contractual amounts due, including interest.

(3) Represents obligations under agreements with non-cancelable terms to purchase goods or services. The agreements are enforceable and legally binding, and contain specific terms, including quantities to be purchased and the timing of the purchase.

(4) Total does not include contractual obligations recorded on the balance sheet as current liabilities, other than capital lease obligations and other long-term liabilities above.

(5) We are unable to make a reasonably reliable estimate as to when cash settlement with taxing authorities will occur for our unrecognized tax benefits due to the uncertainties related to these tax matters. Therefore, our liability for unrecognized tax benefits of $43.6 million, including interest and penalties, is not included in the table above.

OUR BUSINESS

Our Company

We are a leading global provider of innovative Digital Enterprise Management ("DEM") solutions to simplify and automate complex functions and processes. Across industries, our customers are confronted with a market demand to transform their businesses into digital enterprises to improve efficiency and value. Our extensive portfolio of information technology operations management ("ITOM") software solutions improves decision-making and orchestrates workflows across distributed, mainframe, cloud and mobile environments. We also provide our customers with maintenance and support services for our products and assist customers with software implementation, integration, IT process and organizational transformation and education services. For the twelve months ended September 30, 2017, we generated Consolidated EBITDA of $772 million. See "Summary—Summary Historical Consolidated Financial Data."

We serve a large, diverse and sophisticated base of more than 10,000 customers worldwide, ranging from enterprise level organizations to small and medium businesses, including 100% of the Forbes Global 100 and 87% of the Forbes 500. Our software products are widely deployed by IT departments across a broad range of industries, businesses and applications worldwide, with particular strengths in banking, financial services and governmental agencies. Our customer base also includes major telecommunication companies, manufacturers, educational institutions, retailers, hospitals and other industries, as well as channel partners including resellers, distributors and systems integrators. No single customer represented a material portion of our revenue in any of the past three fiscal years.

We have a global customer footprint across more than 100 countries and have a strong presence in both mature and emerging markets in North America, Europe, the Middle East and Africa ("EMEA"), Asia Pacific and Latin America, with approximately 5,900 employees worldwide as of September 30, 2017. We market and sell our products in most major world markets directly through our sales force and indirectly through channel partners. Our sales force also includes an inside sales division that provides a channel for additional sales to existing customers. This worldwide coverage provides us with economies of scale, higher capital productivity through lower cost offshore operations and the ability to more effectively deliver our solutions and services to high-growth emerging markets and to support businesses that are becoming increasingly global.

We sell perpetual and term licenses for the use of our on-premise software, together with an industry-leading package of maintenance and support services provided on an annual or multi-year basis. In 2010, we introduced software-as-a-service ("SaaS") delivery for certain products which are sold based on an annual and multi-year subscription model. Generally, customers are billed up front for the term of their maintenance contract or subscription period. During the twelve months ended September 30, 2017, we generated approximately 75% of our non-GAAP revenue from recurring sources, comprised of maintenance contracts, term licenses and subscriptions. In addition to these recurring revenue streams, we have a highly re-occurring perpetual license revenue stream – the majority of our perpetual license sales are to existing customers that are increasing capacity and adding new products and modules. At contract expiration, we are able to realize high renewal rates due to our technology leadership, the mission-critical nature of our products and the significant switching costs associated with changing providers. Some of our products have been deeply embedded in customers' IT infrastructures for over a decade, making them expensive and risky to replace. Over 80% of our non-GAAP product revenue was attributable to customers which have maintained a relationship with BMC for 10 years or more. As a result of these factors, in the twelve months ended September 30, 2017, we realized customer renewal rates for maintenance on perpetual licenses of approximately 91%.

We have established a strong brand with high customer satisfaction and a leading market position with our DEM strategy, which focuses on complementary, broad functionality across heterogeneous IT environments, including mainframes as well as traditional on-premise, virtualized and emerging cloud infrastructures. Our expansive portfolio, with leading products across most major ITOM market segments, allows us to provide an integrated solution suite that meets the needs of large global customers who are seeking a more comprehensive approach to IT management, while still allowing us to serve less sophisticated customers with attractive individual products and solutions. Furthermore, our solution-focused marketing provides an approach that enables us to be responsive to existing and changing client requirements across a full range of IT platforms and applications.

We are primarily organized into two business units, ZSolutions Optimization ("ZSO") and Enterprise Solutions Organization ("ESO"). Our ZSO business unit is comprised of a ZSolutions product line, which includes mainframe database development and management tools, performance management tools and IT event and log management tools. The ZSO business unit also includes the Select Technologies Group ("STG"), which holds end-of-life products. Our ESO business unit consists of solutions for distributed, virtual and cloud IT environments, with its product lines for Digital Service Management ("DSM"), Security Operations, Performance and Analytics and Digital Business Automation ("DBA").

Our Industry

Effective IT management enables businesses to more efficiently deliver services to employees and customers. Many IT organizations have highly manual processes, often held together by paper-based forms, spreadsheets, email, personal relationships and "tribal" knowledge. Manual or inefficiently automated IT operations can result in high costs and negatively impact business operations and profitability. ITOM solutions help IT organizations standardize, automate and integrate operations, effectively lowering cost and increasing profitability.

Enterprises today increasingly face challenges in managing IT operations. Over the last several decades, IT infrastructures have grown to include a multitude of software applications, databases, operating systems, mainframes, servers, networking equipment, personal computers, mobile devices and a variety of other hardware and software assets, which are increasingly being operated in cloud, hybrid and virtualized environments as well as in traditional on-premise installations. In addition to the traditional issues of efficiency improvement, performance optimization and compliance, the proliferation of internet services is presenting new challenges to our customers at an increasing rate.

Traditional customer IT challenges:

- ***Cost containment***—IT is a major cost center for large enterprises. As a result, demand is consistently strong for products and services that help automate processes and drive efficiencies to reduce overall cost.
- ***Compliance and regulations***—Enterprises are required to be accountable to shareholders, employees and government authorities. IT organizations are often at the heart of compliance initiatives because businesses rely on technology to automate, track and report on the areas for which compliance is measured.
- ***Responsiveness to business needs***—IT organizations are increasingly required to be more proactive in the design and development of new processes rather than simply reacting to business changes.
- ***Infrastructure optimization***—Enterprises need integrated and standardized solutions that work with their existing systems to maximize the availability and usability of IT assets and the efficiency of IT staff.

New challenges:

- ***Consumerization of IT***—Individuals are spending more time interacting with consumer-like devices as well as social and mobile internet services. These experiences have increased business users' expectations that they can access and interact with corporate IT technologies in a similar and familiar way. In many cases, employees can substitute consumer technology for corporate IT, weakening the IT department's ability to control and monitor usage. IT organizations are struggling to respond to these increased demands in a cost-effective manner.

- ***Shift to unified user centered IT management***—Employees are placing increased demands on IT operations for anywhere, anytime access to get their jobs done. Digital transformation initiatives will drive the need for IT organizations to embrace end-to-end management.
- ***Transition to cloud based environments***—Deployments in on-premise, SaaS and multicloud environments will continue to increase in the future. Key areas in the future are focused around cloud infrastructure management and systems management software delivered as SaaS.
- ***Automation & Cognitive***—Automation of IT systems management processes and actions will grow. Machine learning and artificial intelligence are increasingly being used to automate determination of service baselines and set thresholds based on expectation of future behavior.
- ***Mission critical mobility***—IT consumerization is impacting mission critical business applications and workflow processes. General purpose built solutions fall short against the "high availability" requirements of mission critical applications.

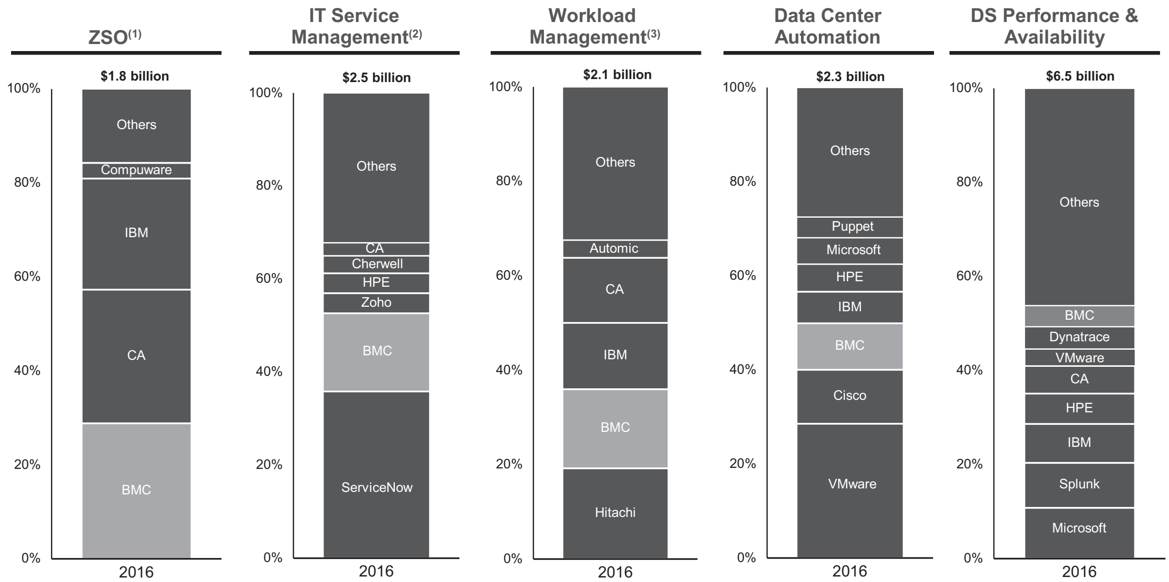
These challenges place significant importance on ITOM technologies and processes that enable IT cost reductions and staff efficiencies, improve quality of service, empower IT organizations to better manage business risks and help deliver the strategic goal of aligning IT with the business.

According to Gartner, the global ITOM software market size was $23 billion in 2016. IDC projects the global ITOM software market will grow at a 7% annualized rate through 2021.

Our Competitive Strengths

Leadership Position in ITOM Software Markets. We are the second largest vendor in the $23 billion global ITOM software market with 8% market share. We have maintained our market position over time with a strong and consistent strategy focused on complementary, broad functionality across heterogeneous IT environments, including virtualized and emerging cloud infrastructures. Furthermore, we are positioned strongly in the core IT segments that matter most to our customers, with more than 80% of non-GAAP product revenue derived from product lines with top 3 market positions.

The following table shows our position within our core global markets for 2016, as well as our relative weighting of non-GAAP product revenue for the twelve months ended September 30, 2017 in each market.



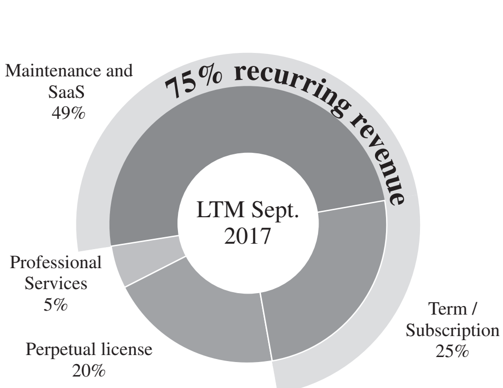
	ZSO(1)	IT Service Management(2)	Workload Management(3)	Data Center Automation	DS Performance & Availability
BMC rank	**#1**	**#2**	**#2**	**#3**	**#8**
% of LTM Sept. 2017 Non-GAAP Product Revenue	**~25%**	**~30%**	**~20%**	**~10%**	**~15%**

Source: IDC

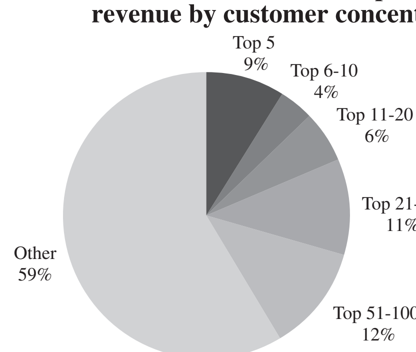
(1) ZSO includes the Mainframe Database Development and Management Tools, Performance Management Tools and IT Event and Log Management Tools market.
(2) Includes the Problem Management market only.
(3) The market share of CA excludes the impact of its acquisition of Automic.

Stable Business Model Driven by Recurring Revenue and Renewals. We derive the majority of our revenue from recurring maintenance contracts and term licenses, which have provided a predictable and highly visible revenue stream. During the twelve months ended September 30, 2017, we generated approximately 75% of our non-GAAP revenue from recurring sources, comprised of maintenance contracts, term licenses and subscriptions, relative to 63% in fiscal year 2013. Our software solutions are mission-critical and deeply embedded within the IT infrastructure, which drives high switching costs given the disruptive, time-consuming and resource-intensive nature of new enterprise installations. Some of our products have been embedded in customers' IT infrastructure for over a decade, making them expensive and risky to replace. Furthermore, our significant domain expertise enables a high level of end-user customization, further entrenching customers in our solutions and making switching even more difficult. These factors, along with our continued investment in products, and our focus on customer service and support, have resulted in high maintenance renewal rates across both of the ESO and ZSO business units, with average customer renewal rates in excess of 90% since fiscal year 2015. During the twelve months ended September 30, 2017, we realized customer renewal rates on maintenance for perpetual licenses of approximately 91%, driven at least in part due to strong customer satisfaction with our products and services.

LTM September 30, 2017 non-GAAP constant currency revenue by type



FY 2017 non-GAAP product revenue by customer concentration(1)



(1) Product revenue is defined as ESO and ZSO non-GAAP revenue.

Best-in-Class, Highly Integrated Product Portfolio. We are a recognized technology leader in the ITOM software market. We have an expansive, highly integrated portfolio, with best-in-class products across a majority of the ITOM market segments in which we participate and a focus on broad management functionality across heterogeneous environments. We actively update and refresh our product portfolio to maintain and extend our competitive positioning and drive expansion in high-growth market segments. In fiscal year 2017 alone, we released several significant upgrades to existing products, including new versions of our key products in DSM, Security Operations, Performance and Analytics and DBA.

Our unified DEM platform brings consistency to operations and provides a common way of communicating across functional areas within IT. Our full-service software suite uses a shared foundational technology that provides the enabling architecture to create integrated solutions whereby the component parts communicate and work together to solve IT problems. Moreover, our platform offers customers the flexibility of deploying software all at once as a full, comprehensive solution or over time as a series of independent products. This approach resonates extremely well with large enterprise customers and results in substantial savings and value creation through improved IT operational efficiency, consistent service delivery and the ability to rapidly address changing business needs.

Broad, Diversified Base of Customers, Geographies and Industries. We serve over 10,000 customers, ranging from small and mid-market businesses to governments and the largest enterprises in the world. All of the Forbes Global 100 and 87% of the Forbes 500 companies rely on us for ITOM solutions. Our revenue base is diverse across geographies with customers in more than 100 countries with 49% of fiscal year 2017 non-GAAP revenue generated outside of the United States. Our products are widely deployed by IT departments across a broad range of industries, with particular strengths in banking, financial services and governmental agencies. Our customer base also includes major telecommunications companies, manufacturers, educational institutions, retailers, hospitals and other industries, as well as channel partners including IT outsourcing providers, distributors and systems integrators. No single customer represented a material portion of our revenue in any of the past three fiscal years. Our strong presence in numerous industry verticals and the mission-critical nature of our products helps to diversify our revenue base and mitigate the risk of industry-specific and cyclical downturns.

Attractive Financial Profile with Strong Free Cash Flow Generation. As a result of our recurring and profitable maintenance, subscription and term license revenue streams, we have had significant visibility and predictability into our cash flows. Our EBITDA margins, disciplined capital expenditures and favorable working capital dynamics drive significant free cash flow generation. We expect that our stable customer base, along with our disciplined approach to spending, will enable us to continue to generate consistent free cash flow.

Experienced Management Team. We are led by an experienced management team with significant industry knowledge. The management team has led our successful transformation from a mainframe tools vendor to a company that delivers leading strategic enterprise management and automation solutions, enabling customers to automate IT and improve their business systems. The Sponsors are among the most active sponsors in the software sector, and have substantial experience with scale enterprise and infrastructure software companies.

Our Strategy

Our strategy is to be the leader in providing innovative DEM solutions to simplify and automate complex functions and processes to improve efficiency and value and transform businesses into digital enterprises. We believe that we are well-positioned to capitalize on the attractive market growth dynamics. We focus on providing a compelling suite of products and high quality service to our customers while continuing to innovate and invest to maintain our leadership position in the market. The key elements of our strategy are as follows.

Provide Comprehensive and Integrated Service Across Multiple Platforms. We intend to strengthen our market position through a consistent DEM strategy focused on complementary, broad functionality across heterogeneous IT environments, including mainframe, traditional on-premise, virtualized and emerging cloud and mobile infrastructures. Typical enterprise-level customers operate multiple computing environments and manage mainframes, physical and virtual servers, desktop and mobile devices and consumer-facing applications that require integrated solutions that provide visibility across the entire IT infrastructure. Our DEM platform enables us to bring consistency to operations and provide a common architecture to simplify the management of the IT environment. This approach resonates powerfully with large enterprise customers, which have historically been the core of our customer base.

We are committed to helping our customers optimize their IT operations and infrastructure and are continuously developing innovative solutions through internal development, targeted tuck-in strategic acquisitions and partnerships with leading technology providers. The advent of new technologies, such as server virtualization and cloud computing, as well as the proliferation of mobile devices, have increased the complexity of IT operations, further reinforcing the importance of a unified offering. Our expansive portfolio, with leading products across most major ITOM market segments, allows us to help our customers meet their business challenges with a high level of integration and standardization. We have invested and will continue to invest in a family of proprietary foundational technologies which provide the enabling architecture to unify information and processes from disparate management tools.

Maintain Technology and Development Leadership. We intend to continue focusing on core products and technologies that provide value to our customers and sustain our competitive advantage. Furthermore, we will continue to innovate around our DEM platform to adapt to the constantly evolving technology landscape. We have demonstrated a strong track record of innovation with new products and industry-leading solutions that fulfill the cutting edge of customers' needs. Several of these products have garnered industry accolades and found strong traction with customers, including:

- ***Performance and Analytics***—TrueSight elevates IT operations to improve the quality and performance of digital services that run in hybrid and multi-cloud environments. TrueSight automatically correlates and prioritizes events across the entire IT landscape, putting focus on the events that actually impact the business. It understands the entire environment as one resource and brings deep visibility into the entire IT landscape, using predictive analytics to provide unparalleled integration of usage data for cost and utilization management. It leverages application insights for infrastructure operations by integrating an application lens to infrastructure management, enabling customers to contextualize infrastructure, from mainframes to end users, delivering on user and customer expectations.
- ***SaaS***—We offer our industry-leading *Remedy* DSM product suite through on-premise or SaaS deployments, offering customers flexibility to choose the delivery option that best fits with their business needs and processes. Our *Remedy OnDemand* solution for enterprise customers and *RemedyForce* solution custom-built on the platform for small to medium-sized businesses, both SaaS deployments, have expanded rapidly since they were introduced in fiscal year 2010. Across our several SaaS offerings, we ended fiscal year 2017 with over 900 customers, most of whom were not previously *Remedy* on-premise customers. Since fiscal year 2013, our SaaS bookings have nearly tripled.
- ***Cloud Solutions***—Our cloud solutions give IT professionals unified control over physical and virtualized systems across public, private and hybrid cloud environments, reducing platform fragmentation and addressing scalability, availability, compliance and regulatory challenges. Cross-platform control of both physical and virtual environments reduces vendor lock-in and enables the user to expand the IT infrastructure on the organization's preferred timetable. This level of flexibility allows the organization to focus on meeting business needs and creates a fully functional IT infrastructure that supports the ongoing operations of the business and enables management to focus on growth without the obstacles created by an inefficient IT ecosystem. Our cloud solutions are now in use by some of the world's largest public sector organizations and commercial enterprises.
- ***Digital Business Automation***—*Control-M*, a digital business automation solution, simplifies and automates diverse batch application workloads within and between on-premise data centers to multi-cloud environments. At the center of infrastructure, data and applications, it improves SLAs and accelerates application deployment. It enables customers to automate complex workflows to cut costs and improve service quality through job scheduling, managing file transfers, facilitating Big Data batch processing and enabling developers to define, test and debug scripts earlier in the software development lifecycle through DevOps.

Continue to Drive Growth and Operational Efficiencies. Over the last several years, we have made significant investments in research and development and our go-to-market strategy to drive further growth in our business. Specifically, we have invested over $1.8 billion in research and development initiatives since 2013, averaging 24% of non-GAAP product revenue per annum. This, coupled with a reallocation of capital to high-priority, high growth areas, the roll out of a refreshed brand and introduction of new innovative products, has positioned the business well as we commence the current renewal cycle. Following this period of investment, we are demonstrating strong momentum and posting robust non-GAAP revenue and Non-GAAP EBITDA growth through consistent execution, disciplined cost control and the attractive operating leverage inherent to our business model. The strong bookings momentum can be observed in new product bookings and total product bookings demonstrating growth of 6% and 21%, respectively, for the twelve months ended September 30, 2017 on a constant currency basis. Furthermore, we have demonstrated seven consecutive quarters of growth in rolling last twelve months non-GAAP revenue and Non-GAAP EBITDA less Cap SW on a constant currency basis, posting compounded annualized growth of 3% and 17%, respectively, since the twelve months ended December 31, 2015. See "—Summary Historical Consolidated Financial Data." This momentum has continued in the most recent quarter, with non-GAAP revenue and Non-GAAP EBITDA less Cap SW growth of 3% and 14%, respectively, for the twelve months ended September 30, 2017 on a constant currency basis. By operating under a variable expense model in which more than 75% of our operating expenses (excluding depreciation and amortization expenses) are attributable to selling, marketing and personnel costs, we possess the ability to swiftly optimize costs in the case of recognized inefficiencies caused by changing market and industry conditions. We have at times taken restructuring actions to improve our cost structure and realign our cost base to the market environment, including reductions in workforce, relocation of job functions to lower-cost locations and changes to our organizational structure.

Our Products and Services

We are primarily organized into two business units, ZSO and ESO.

ZSO— Our ZSO business unit is comprised of a ZSolutions product line, which includes mainframe database development and management tools, performance management tools and IT event and log management tools. The ZSO business unit also includes the Select Technologies Group (“STG”), which holds end-of-life products. These solutions help our customers consistently meet service objectives while lowering the cost of mainframe, middleware and workload operations by: (i) increasing the availability of critical business applications; (ii) reducing hardware resource requirements; (iii) managing ever increasing data, transaction and task volumes with the same or reduced number of staff and (iv) mitigating the risk and cost associated with regulatory compliance issues facing mainframe, middleware and workload automation organizations.

ESO—Our ESO business unit consists of solutions for distributed, virtual and cloud IT environments. The core product lines in ESO include Digital Service Management, Security Operations, Performance and Analytics and Digital Business Automation. These products operate in the distributed IT environments that constitute the core of every large enterprise’s IT operations. They help our customers achieve improved levels of speed, security, innovation and performance by making organizations more agile and by freeing up IT resources to invest in growth.

These business units are organized into five primary operating product lines.

	Product lines	***Primary products/ solutions***	***Market position***	***Primary competitors***	***Computing environment***
ZSO	**ZSolutions**	• Solutions for DB2 and IMS databases • *MainView*	• #1 market position • 29% market share	• IBM • CA	• Mainframe
ESO	**Digital Service Management**	• *Remedy* • *Remedy OnDemand* • *RemedyForce* • *Discovery for Multi-Cloud* • *Digital Workplace*	• #2 market position • 17% market share	• HPE / MicroFocus • CA • ServiceNow	• Distributed
ESO	**Security Operations**	• *Threat Director* • *BladeLogic* • *Atrium Orchestrator* • *Cloud Lifecycle Management*	• #3 market position • 10% market share	• HPE / MicroFocus • VMware • IBM	• Distributed
ESO	**Performance and Analytics**	• *TrueSight Operations* • *TrueSight Intelligence* • *TrueSight Cloud Cost Control*	• #8 market position • 4% market share	• HPE / MicroFocus • CA • Compuware • IBM • Microsoft	• Distributed
ESO	**Digital Business Automation**	• *Control-M*	• #2 market position • 17% market share	• IBM • CA	• Distributed

ZSO

The following table shows annual non-GAAP revenues for the ZSO business unit.

	Year Ended March 31, 2016	Year Ended March 31, 2017
	(in millions)	
ZSolutions	$462.3	$478.1
STG	20.3	14.0
Total	$482.6	$492.1

In an increasingly complex IT landscape, the mainframe continues to serve as a cornerstone of the enterprise infrastructure, especially for industries with mission-critical, high-volume transactions, such as insurance, banking and government. Mainframe computers are highly scalable and stable, and therefore are ideal for transaction-oriented computing needs such as airline reservation systems and bank transaction processing. Specifically, mainframes are advantaged over x86-based hardware due to faster compute throughput between the central processing units and the storage centers, increased security driven by fewer integration points to third-party applications and higher availability, scalability and stability. While software applications are increasingly being delivered by servers, the data generated is frequently stored and processed on mainframes. According to IBM, 70-80% of the world's corporate data is housed in mainframes.

ZSolutions. Our solutions support the efficient operation and utilization of data, applications and systems that support mission-critical business processes for many of the largest companies worldwide. Our solutions for DB2® and IMS™ databases help customers optimize performance and enhance recoverability of data housed in IBM's DB2® and IMS™ databases, while our *MainView* product monitors the mainframe operating system and software processes to facilitate problem identification and resolution.

Mainframe customers and hardware and software providers demonstrate their deep commitment by continuing to invest significantly in the platform. Mainframe customers are generally billed based on their highest capacity utilization as measured by millions of instructions per second ("MIPS") over any four hour period. Therefore, minimizing MIPS usage is critical for mainframe customers attempting to manage costs. Our mainframe product suite is designed to help customers use their mainframe software more efficiently to reduce MIPS usage and lower mainframe software spend, in addition to maintaining reliable operations and lowering overall system costs. These top-tier products provide our customers with industry leading features and functionality, and with 29% share of the Mainframe Database Development and Management Tools, Performance Management Tools and IT Event and Log Management Tools market according to IDC, we have the #1 market position.

ESO

The following table shows annual non-GAAP revenues for each product line within the ESO business unit.

	Year Ended March 31,	
	2016	2017
	(in millions)	
Revenue:		
Digital Service Management	$ 520.6	$ 528.0
Security Operations	164.4	163.4
Performance and Analytics	208.7	196.4
Digital Business Automation	328.7	377.5
Total	$1,222.4	$1,265.3

Digital Service Management. The DSM platform is the central "portal" through which IT interacts with and ensures the overall health of the IT infrastructure. Our solutions in this area manage IT functions and processes such as the service desk, incident management, service request management, problem management, asset management, service level management and change and release management. These solutions improve IT service as perceived by business end-users, drive improvements in efficiency through application of best practices and drive down costs by helping end-users solve their own problems, reducing the number of calls to the service desk. Over the past few years, we have focused development resources on our DSM competitive offerings, including *Remedy OnDemand*, *RemedyForce* and *Remedy*, to reinforce our competitive position in the market. With 17% market share according to IDC, we have the #2 market position in DSM. Key products include *Remedy*, *Remedy OnDemand*, *RemedyForce*, *Discovery for Multi-Cloud* and *Digital Workplace*.

Security Operations. Security Operations solutions help automate manually-intensive and time-consuming IT processes such as provisioning, configuration change and compliance monitoring for servers, networks, applications and databases. Our solutions help IT departments cost-effectively manage increasingly complex and rapidly changing business needs. Introduced in fiscal year 2010, our CLM solution is now in use by some of the world's largest public sector organizations and commercial enterprises. CLM integrates management of an organization's private, public and hybrid cloud environments into a single interface, resulting in a more efficient and automated cloud platform. CLM also features a self-service portal which manages compliance policies and monitors performance while delivering end-users a customized system supporting their individual needs and providing access to IT support. With 10% market share according to IDC, we have the #3 market position in Security Operations. Key products include *Threat Detector, BladeLogic, Atrium Orchestrator* and *Cloud Lifecycle Management*.

Performance and Analytics. Our Performance and Analytics solution suite manages IT functions and processes such as availability and performance management, event management, service impact management and capacity optimization, and provides proactive analytics to identify IT issues before end-users are affected by performance problems. Our solutions prioritize IT systems events based on business impact and help determine and initiate actions to quickly restore services to clients' IT systems. We were one of the first IT management leaders to bring business relevance to IT events in this market segment. Key products include *TrueSight Operations*, *TrueSight Intelligence* and *TrueSight Cloud Cost Control.*

Digital Business Automation. Digital Business Automation tools enable IT managers to orchestrate and optimize dispersed and disparate IT processes across multiple locations, platforms, and applications as well as provide a centralized platform for monitoring and managing workloads across physical, virtual and cloud computing environments. *Control-M*, our principal product, is distinctly advantaged because it functions across both mainframe and distributed environments allowing the customer to use a single solution for the vast majority of jobs across the organization. This capability allows scheduling, resource management, auditing and reporting to be managed from a single point of control. *Control-M* has significant growth potential driven by the expected market growth in distributed environments. With 17% market share according to IDC, we have the #2 market position in Digital Business Automation.

Software Licenses

We license our software under both perpetual and term license models for on-premise use. Under perpetual license arrangements, our customers receive the perpetual license right to use our software in conjunction with related maintenance and support services that are generally purchased on an annual or multi-year basis. Under term license arrangements, our customers receive license rights to use our software along with bundled maintenance and support services for the term of the contract. Generally, customers are billed up front for the term of their maintenance contract or subscription period. The majority of our contracts provide customers with the right to use one or more of our products up to a specific license capacity. Capacity can be measured in many ways, including mainframe computing capacity, number of servers, number of users or number of gigabytes, among others. Certain of our enterprise license agreements stipulate that customers can exceed pre-determined base capacity levels, in which case additional fees are specified in the license agreement. Such fees are typically paid on an annual basis in the form of an incremental "true-up" payment. In the absence of such an arrangement, customers are not entitled to exceed the capacity levels in the original license rights. Non-GAAP license revenue comprised 35% and 35% of our total non-GAAP revenue in fiscal 2016 and 2017, respectively.

Maintenance and Support Services

Maintenance and support enrollment entitles software license customers to technical support services, including telephone and internet support and problem resolution services, and the right to receive unspecified product upgrades, maintenance releases and patches released during the term of the support period on a when-and-if-available basis. Maintenance and support service fees are an important source of recurring revenue, and we invest significant resources in providing these services. Non-GAAP revenue from maintenance and support services comprised 55% and 55% of our total non-GAAP revenue in fiscal 2016 and 2017, respectively.

Software-as-a-Service

We also provide on-demand SaaS offerings for certain of our products. These offerings, the first of which we introduced to the market in late fiscal 2010, provide management solutions through a hosted service rather than a traditional on-premise license model and allow our customers to obtain the benefits of these solutions with reduced infrastructure and setup requirements and faster deployment. These offerings are sold as either annual or multi-year subscriptions with pricing generally based on the number of users. We also offer customer on-boarding and other related services for these offerings. SaaS subscription revenue is recorded within perpetual maintenance revenue in our consolidated financial statements and to date has not represented a significant percentage of our total revenue. Non-GAAP revenue from our SaaS offerings was $67.2 million and $82.3 million in fiscal 2016 and 2017, respectively.

Professional Services

Our professional services group consists of a worldwide team of experienced software and education consultants who provide implementation, integration, IT process, organizational design, process re-engineering and education services related to our products. By easing the implementation of our products, these services help our customers accelerate the time-to-value. By improving the overall customer experience, we believe that these services also drive future software license transactions with customers. Non-GAAP revenue from professional services comprised 6% and 6% of our total non-GAAP revenue in fiscal 2016 and 2017, respectively.

Sales and Marketing

We market and sell our software and services solutions primarily through a direct sales force, augmented by strategic alliances with channel partners including resellers, distributors, original equipment manufacturers, alliance partners and systems integrators. We also have an inside sales division that provides a channel for additional sales to existing customers.

Our direct sales force is aligned with our DEM strategy, which focuses on complementary, broad functionality across heterogeneous IT environments. Sales force resources are aligned by both customer size and geography, with increasing coverage for larger "showcase" accounts. These direct sales representatives typically have a defined quota based on a specific set of named accounts. Direct sales resources are then supplemented by software consultants and specialist resources with targeted skills, such as automation specialists that help move forward cloud and datacenter automation opportunities. In addition, in some product areas an inside sales team will actively advance opportunities to close. Our sales offices are located across North America, EMEA, Asia Pacific and Latin America.

In addition to our direct sales force, we have more than 300 indirect channel partners, many of which focus on smaller companies and countries where we do not have a direct presence. These third-party channel relationships allow us to expand our market presence through increased awareness of software applications within our partners' organizations and customer bases, and through personnel who are trained to implement our software. Our partners market and promote their software products and typically provide implementation services to our end-users. In most cases, this channel is able to generate sales leads, make initial customer contacts, and assess needs prior to our introduction.

Our sales efforts are supported by marketing initiatives. Collectively, these activities are designed to generate leads, educate our customers, define and launch new solutions, drive solution adoption and enhance customer loyalty and retention. Marketing programs include use of websites to provide product and company information, whitepapers and other information, email marketing, telemarketing, webinars, search engine marketing, issuing press releases on a regular basis, analyst engagement and exhibiting at industry events. We have developed a number of programs to encourage active exchange of ideas between prospective and existing customers, including hosting customer advisory councils, executive forums and other events.

Competition

The ITOM software industry is highly competitive, rapidly changing and significantly affected by new emerging technologies and product offerings. Some of our competitors have an advantage over us due to their larger market shares, greater brand name recognition and larger financial and marketing resources. We believe the principal competitive factors affecting our market include:

- expertise in ITOM enterprise software processes;
- product features, functionality, performance and price;
- cost containment;
- ease of integration and speed of implementation;
- company stability, resources and reputation;
- level of customer service; and
- new product and technology introductions.

We believe we have competitive advantages over a number of our competitors. Some of these advantages include:

- highly integrated portfolio focused on functionality in a heterogeneous environment;
- a variety of delivery methods including on-premise, SaaS and cloud options;
- low total cost of ownership;
- long-term customer relationships with senior IT decision-makers at large enterprises;
- strong track record of innovation;
- openness and flexibility of our software architecture; and
- high quality of maintenance and customer support.

Our most frequently encountered competitors are IBM, CA and HPE/MicroFocus. All three are large, global vendors that are focused on ITOM as an enterprise software business. Smaller competitors utilize ITOM to complement their infrastructure stack and help drive other segments of their business. We believe there is demand for a vendor like us that offers a broad yet integrated platform that is scalable to a variety of organizations, available for swift implementation and operates in a cost-efficient manner. Our focus is on providing a focused Business Service Management platform that delivers complementary products capable of functioning across mainframe, traditional on-premise, virtualized and emerging cloud infrastructures.

We have also strengthened our competitive position by launching innovative new products such as *Remedy 9, TrueSight Intelligence, Discovery for Multi-Cloud, Innovation Suite* and *TrueSight Cloud Cost Control.* We also offer a premier Professional Services program to assist our customers with implementation, integration, IT process, re-engineering and education services related to our products and the IT functions and processes they help to manage. Improving the overall customer experience through this service helps drive future license transactions with existing customers.

Research and Development

Our product development efforts are focused on enhancing the capabilities and increasing the performance of existing ITOM product suites as well as developing new and innovative solutions to challenges faced by IT organizations. These efforts are organized into five engineering groups aligned to our operating segments, as well as some cross-product line functions such as customer engineering and quality, all reporting into a single Senior

Vice President of products and solutions. Engineering resources are deployed globally, with major development centers such as Austin, Texas, Lexington, Kentucky and San Jose, California in the U.S., and global locations such as Pune, India and Tel Hai, Israel.

Costs of internally developed software are expensed until the technological feasibility of the software product has been established. Thereafter, software development costs are capitalized until the product is generally available to customers in accordance with relevant accounting standards. During fiscal years 2016 and 2017, we incurred research and development expenses of $160.2 million and $166.9 million, respectively. In addition, during fiscal years 2016 and 2017, we capitalized software development costs excluding non-cash share-based compensation of $46.2 million and $20.5 million, respectively. The decrease in capitalized software development costs during fiscal years 2016 and 2017 reflects the Company's adoption of more agile research and development methods for the majority of its product lines, which has the effect of decreasing the amounts of software development costs capitalized.

We supplement internal development through acquisitions and third-party licensing agreements when appropriate.

Intellectual Property

We distribute products in object code form and relies upon contract, trade secret, copyright and patent laws to protect our intellectual property. The license agreements under which customers use our products restrict the customer's use to its own operations and prohibit disclosure to third parties. In addition, for certain solutions, we employ protective measures such as CPU-dependent passwords, expiring passwords and time-based software trials. As of September 30, 2017, we had more than 300 U.S.-issued patents.

Employees

As of September 30, 2017, we had approximately 5,900 employees, including approximately 1,830 in sales and marketing, 2,530 in product development and customer support, 500 in services and 1,040 in administration. Other than works' councils in certain countries outside of the U.S., none of our employees are represented by a union or other collective bargaining agreements.

Facilities

We are headquartered in Houston, Texas and have market coverage of over 100 countries with major offices located in Houston, Texas; Santa Clara, California; Amsterdam; Singapore; Tel Hai and Tel Aviv, Israel; and Pune, India. We lease our software development and sales facilities in these cities and various other locations around the world.

Legal Proceedings

On April 28, 2017, BMC Software filed a patent infringement lawsuit in the U.S. District Court for the Eastern District of Texas against Cherwell Software, LLC ("Cherwell") and FireScope, Inc. ("FireScope") (collectively, the "Defendants"). The lawsuit alleges that the Defendants have built much of their business around the infringement of BMC Software's patented technologies. In the filing, BMC Software claims its patents are being violated by products that comprise core elements of the Defendants' IT management offerings and alleges violations of seven different BMC Software patents issued by the U.S. Patent and Trademark Office in total. BMC Software is seeking damages and a permanent injunction against Cherwell and FireScope. The case is styled BMC Software, Inc. v. Cherwell Software, LLC and FireScope, Inc., No. 2:17-cv-374.

Additionally, we are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. We do not believe that the outcome of any of these matters will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

OUR INDUSTRY

The ITOM industry is competitive, rapidly changing and significantly affected by new product offerings and other market activities. Enterprises today face increasing challenges in managing IT operations. Over the last several decades, IT infrastructures have grown to include a multitude of software applications, databases, operating systems, mainframes, servers, networking equipment, personal computers, mobile devices and a variety of other hardware and software assets, which are increasingly being operated in cloud, hybrid and virtualized environments as well as in traditional on-premise installations. In addition to the traditional issues of efficiency improvement, performance optimization and compliance the proliferation of internet services are presenting new challenges to our customers at an increasing rate.

Traditional customer IT challenges:

- ***Cost containment***—IT is a major cost center for large enterprises. As a result, demand is consistently strong for products and services that help automate processes and drive efficiencies to reduce overall cost.
- ***Compliance and regulations***—Enterprises are required to be accountable to shareholders, employees and government authorities. IT organizations are often at the heart of compliance initiatives because businesses rely on technology to automate, track and report on the areas for which compliance is measured.
- ***Responsiveness to business needs***—IT organizations are increasingly required to be more proactive in the design and development of new processes rather than simply reacting to business changes.
- ***Infrastructure optimization***—Enterprises need integrated and standardized solutions that work with their existing systems to maximize the availability and usability of IT assets and the efficiency of IT staff.

New challenges:

- ***Consumerization of IT***—Individuals are spending more time interacting with consumer-like devices as well as social and mobile internet services. These experiences have increased business users' expectations that they can access and interact with corporate IT technologies in a similar and familiar way. In many cases, employees can substitute consumer technology for corporate IT, weakening the IT department's ability to control and monitor usage. IT organizations are struggling to respond to these increased demands in a cost-effective manner.
- ***Shift to unified user centered IT management***—Employees are placing increased demands on IT Operations for anywhere, anytime access to get their jobs done. Digital transformation initiatives will drive the need for IT organizations to embrace end-to-end management.
- ***Transition to cloud based environments***—Deployments in on-premise, SaaS, and multicloud environments will continue to increase in the future. Key areas in the future are focused around cloud infrastructure management and system management software delivered as SaaS.
- ***Automation & Cognitive***—Automation of IT system management processes and actions will grow. Machine learning and artificial intelligence are increasingly being used to automate determination of service baselines and set thresholds based on expectation of future behavior.
- ***Mission critical mobility***—IT consumerization is impacting mission critical business applications and workflow processes. General purpose built solutions fall short against the "high availability" requirements of mission critical applications.

These challenges place significant importance on ITOM technologies and processes that enable IT cost reductions and staff efficiencies, improve quality of service, empower IT organizations to better manage business risks and help deliver the strategic goal of aligning IT with the business.

ITOM technologies and processes are highly beneficial to businesses as they enable IT cost reductions and staff efficiencies, improve quality of service, empower IT organizations to better manage business risks and help deliver the strategic goal of aligning IT with the business.

According to Gartner, the global ITOM software market size was $23 billion in 2016 and IDC projects it to grow at a 7% annualized rate through 2021. Continued and growing demand for ITOM products and services can be attributed to the ever-increasing requirement to manage global operations and data and the demand for sufficient flexibility to handle a broad range of IT processes across different environments. These challenges place significant importance on ITOM technologies as the demand and need for IT efficiency continues to rise. ITOM tools help to address these issues by cataloging and monitoring IT systems, automating controls and changes, managing workflow for IT staff and optimizing performance of assets.

According to Gartner, the "Big Four" ITOM vendors—IBM, CA, the Company and HPE/MicroFocus—represent 33% of the overall market. Other large enterprise software vendors such as Microsoft and VMware offer portfolios of ITOM solutions that work on their respective platforms, but are not strong in the heterogeneous environments most large enterprises deploy. The expansion of virtualization technology has added some new players to the market, and Big Four firms have responded with aggressive acquisition tactics and increased internal development. The ability to compete on cost, efficiency, support platform, and product diversity is a key differentiator for Big Four firms.

The ITOM industry is made up of solutions that address issues in both mainframe and distributed environments. ITOM products and services for the mainframe help large enterprises manage mission-critical, high volume computing tasks by improving reliability and uptime while minimizing incremental mainframe hardware and software spend through increased processing efficiency. Conversely, ITOM products and services for distributed environments provide flexible and user-friendly management solutions for businesses with heterogeneous IT infrastructures, including physical, virtual and cloud, leading to increased IT productivity and fewer business disruptions.

In an increasingly complex IT landscape, the mainframe continues to serve as a cornerstone of the enterprise infrastructure, especially for mission-critical, high volume industries (e.g., insurance, banking and government). Mainframe computers are highly scalable and stable and, therefore, ideal for transaction-oriented computing needs (e.g., airline reservation systems, bank transaction processing, etc.). Specifically, mainframes are advantaged over x86-based hardware due to faster compute throughput between the central processing units and the storage centers, increased security driven by fewer integration points to third-party applications, and higher availability, scalability and stability. While software applications are increasingly being delivered by servers, the data generated is frequently stored and processed on mainframes. According to a 2014 IBM Systems Magazine article, 70-80% of the world's corporate data is housed in mainframes.

In addition to mainframes, businesses are more frequently turning to distributed and cloud environments to execute a flexible range of IT processes. Products for distributed and cloud environments provide deep and complex functionality across non-mainframe environments, including physical servers, virtual servers and public, private and hybrid cloud environments which drive the majority of consumer facing applications. Businesses have varying levels of need depending on size and scale of existing infrastructure and functionality requirements.

We participate in several critical segments in the broader ITOM market across mainframe and distributed environments that have strong demand growth tailwinds driven by these industry trends:

- ***ZSolutions.*** These products play an important role within the mainframe ecosystem. Mainframe customers are generally billed based on their highest capacity utilization as measured by MIPS over any four hour period. Database management software increases processing efficiency by continually cleaning and reorganizing data. Higher efficiency drives lower overall MIPS usage, thereby reducing customers' mainframe hardware and software costs. Similarly, performance management tools monitor mainframe hardware, operating systems and storage for problem identification and optimal use of processing capacity. According to IDC, we have a 29% share of this market and have the #1 market position.

- ***Digital Service Management.*** These solutions provide a central platform through which technicians interact with and assess a business's existing IT infrastructure. Some IT Service Management products allow IT experts to manage, monitor, and support all users and their associated assets within an organization through a broad set of capabilities involving service, change, asset and knowledge management. As maintaining high IT service levels becomes increasingly important, demand for fully-featured, flexible IT Service Management solutions is continuing to grow. According to IDC, we have a 17% share of this market and have the #2 market position.
- ***Security Operations.*** Data center automation software helps organizations provision and manage their IT infrastructure. To meet the demands of a competitive business environment, organizations continuously increase their data center asset base and its complexity. Manual data center operations tend to be reactive, labor intensive, error prone, and heavily reliant on highly skilled individuals. Even organizations that have invested in point solutions or homegrown, script-based approaches are recognizing their limits, and are instead looking for a comprehensive solution that addresses all their server management and compliance needs in a single, integrated platform. As enterprises seek to drive efficiencies from IT infrastructure and respond to employee demands for more "consumerized" IT resources, IT organizations are increasingly adopting cloud-based infrastructures. Cloud environments typically combine one or more virtualization technologies with self-service end user provisioning, dynamic automated resource allocation, and an ability to charge resources back to the requesting business unit on a variable basis. As this capability can significantly boost an organization's return on investment, enterprises are adopting Cloud Management Platforms, which allow seamless control across heterogeneous hybrid cloud deployments. Demand for these solutions is growing very quickly, driven by the rapid penetration of public and private cloud services into enterprise environments. According to IDC, we have a 10% share of this market and have the #3 market position.
- ***Performance and Analytics.*** Performance and analytics software manages IT functions and processes such as Availability and Performance Management, event management, service impact management and capacity optimization, and provides proactive analytics to identify IT issues before end-users are affected by performance problems. As infrastructures grow larger, more heterogeneous and more complex, customer demand for comprehensive performance monitoring solutions strengthens.
- ***Digital Business Automation.*** Years of adding new systems and applications have led to a labyrinthine combination of methods and systems for managing operations and workflow. This array of methods and systems typically requires repetitive manual intervention by staff. The result is manual errors, high staff inefficiency and decreased agility in responding to business requirements. The problem is compounded by the lack of an accurate view of workflows and their performance levels within IT operations. Workload automation plays an important role in service optimization by linking resources, applications, and batch processing to create a centralized, automated approach to job scheduling across mainframe and distributed environments. With workload automation, IT organizations can make improvements in operational efficiency that result in substantial cost savings. According to IDC, we have a 17% share of this market and have the #2 market position.

MANAGEMENT

Directors

Our board of directors consists of 9 directors. Subject to maintaining ownership in Parent above certain thresholds and certain other requirements, Bain Capital has the right to appoint at least three directors, Golden Gate Capital has the right to appoint at least two directors, each of an affiliate of GICSI and Insight Venture Partners has the right to appoint at least one director and both our CEO and immediate past CEO serve as directors, with the latter serving as Chairman of the Board. The Board at Parent is principally responsible for governing the operations of the group.

Executive Officers and Key Employees

The names, ages, and current positions of the Issuer's current executive officers and certain key employees are listed in the table below.

Name	Age	Position
Peter Leav	46	President, Chief Executive Officer
Jason Andrew	49	Senior Vice President, ESO Americas Sales
Brian Bergdoll	60	Senior Vice President, Sales and Customer Success
William Berutti	47	President, Enterprise Solutions
T. Cory Bleuer	47	Senior Vice President, Controller and Chief Accounting Officer
Scott Crowder	55	Senior Vice President, Chief Information Officer
Monika Fahlbusch	50	Senior Vice President, Chief Employee Experience Officer
David Gai	54	President, Customer Success and Chief Customer Officer
Jeff Hess	55	Senior Vice President, Customer Experience and Presales
Shayne Higdon	44	President, Performance and Analytics
Imran Khan	46	Senior Vice President, Global Services
William D. Miller	66	President, ZSolutions
Nayaki Nayyar	47	President, Digital Service Management
Stephen B. Solcher	57	Senior Vice President, Chief Financial Officer
Gur Steif	50	President, Digital Business Automation
Dan Streetman	49	Senior Vice President, ESO Worldwide Sales
Patrick K. Tagtow	50	Senior Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer

Peter Leav. Mr. Leav has served as our President and Chief Executive Officer since December 2016. He has significant experience leading a global organization, as well as a strong background in operations, general management, sales, communications and technology services. Prior to joining BMC Software, Mr. Leav was President and Chief Executive Officer of Polycom, Inc., a collaboration business serving the enterprise market, from December 2013 to September 2016. He also served as the President and Chief Executive Officer of Polycom Copenhagen APS, which he joined in 2013. He served as President of Industry & Field Operations from June 2012 to November 2013 and Executive Vice-President from October 2011 to June 2012 at NCR Corporation, a consumer transaction technologies company. He also served as a member of the board of directors for the Eye Bank for Sight Restoration and as an independent director of the board of directors of HD Supply, Inc. from October 2014 to July 2017. Earlier in his career, Mr. Leav held executive sales leadership positions at Symbol Technologies and Cisco Systems.

Jason Andrew. Mr. Andrew has served as our Senior Vice President, ESO Americas Sales since April 2016. From October 2012 to March 2016, he served as Vice President, ESO EMEA Sales. Prior to his EMEA role, he held various Vice President level roles responsible at different times for Global Outsourcers and Channels, U.S. West Region and Latin America, as well as Worldwide Marketing and Communications. He has served in increasingly responsible roles in sales and marketing in the U.S. and internationally since joining BMC in January 1998.

Brian Bergdoll. Mr. Bergdoll has served as our Senior Vice President of Sales and Customer Success for ZSolutions since 2013. Brian joined BMC in 1986 and was promoted to positions of increasing responsibility in sales, marketing and strategy management. Prior to joining BMC, Brian was with IBM in various sales and sales management positions.

William Berutti. Mr. Berutti has served as our president of Enterprise Solutions since February 2017. He joined BMC in April 2014 as the President of the Performance and Analytics product line. In April 2015, he assumed the additional role of head of Cloud Management/Data Center Automation (now known as Security Operations). Prior to being named to his current position, he was also serving from October 2016 to February 2017 as President of Cloud, Security and Data Center Automation and Senior Vice President of Group Operations for Enterprise Solutions. Before joining BMC in April 2014, he was at PTC where he was Executive Vice President and General Manager of the Service Lifecycle Management business unit from 2011 to 2013. His 17-year career at PTC also included senior leadership roles in general management, corporate development, marketing, product management and sales. He began his career at Wallace Computer Services. Mr. Berutti currently serves as a board member of aPriori Technologies. He also served as a board member of City Year Boston from 2003 to 2012, and he is an alumni volunteer for Miami University.

T. Cory Bleuer. Mr. Bleuer was appointed as our Senior Vice President, Controller and Chief Accounting Officer in August 2006. Prior to joining us, Mr. Bleuer was the Vice President and Controller of EMC Corporation's Captiva Software Corporation from December 2005 to July 2006 and was Vice President and Corporate Controller of Captiva Software Corporation from February 2005 to December 2005. Prior to joining Captiva Software Corporation, Mr. Bleuer was with Fair Isaac Corporation serving as the Corporate Controller from August 2004 to February 2005 and as Director, Corporate Finance and Accounting from August 2002 to August 2004. From June 2000 to August 2002, Mr. Bleuer served as Corporate Controller of HNC Software Inc. He holds CPA and CGMA certifications.

Scott Crowder. Mr. Crowder has served as our Senior Vice President and Chief Information Officer since January 2014. Before his current position at BMC, Mr. Crowder was Deputy CIO and Vice President of Infrastructure and Operations at BMC from May 2011 to January 2014. Prior to joining BMC in May 2011, he was Vice President of Data Center Operations at Blackbaud. He also previously held IT leadership positions in high technology companies that included Sprint, Akamai, Inktomi, MIH (Entriq) and Kintera. Mr. Crowder holds two patents related to digital media and is a veteran of the U.S. Air Force.

Monika Fahlbusch. Ms. Fahlbusch has served as our Senior Vice President, Chief Employee Experience Officer since 2014. She is responsible for Information Services and Technology, Human Resources, Facilities and Real Estate, Digital Workplace, Community Relations and Security. Prior to joining BMC, Monika worked at Salesforce, where she was Senior Vice President of Global Employee Success. Ms. Fahlbusch has also held HR, communication and IT leadership positions at PeopleSoft and Old Navy. She has served as an advisory board member to the School of Business and Economics at St. Mary's College of California.

David Gai. Mr. Gai has served as the President of Customer Success at BMC since September 2014 and Chief Customer Officer since June 2015. Prior to joining BMC in September 2014, he was from July 2011 to March 2014 the Executive Vice President of Worldwide Services at JDA Software. Previously, he led worldwide customer support, consulting and education teams at both EMC and BEA Systems. He has also served as CEO and president of Equitant, an international business process operations company in Dublin, Ireland, and as general manager of North American Operations for HP. Mr. Gai also led his own company providing consulting services to global customers.

Jeff Hess. Mr. Hess has served as the Senior Vice President of Customer Experience and Presales for ESO since July 2015. Prior to joining BMC in July 2015, Jeff was the global senior vice president of value engineering at SAP.

Shayne Higdon. Mr. Higdon has served as the President of the Performance and Analytics product line since October 2016. From September 2014 to October 2016, Mr. Higdon was also Vice President at BMC. Prior to rejoining BMC in September 2014, he served from August 2012 to June 2014 as the President and CEO of Symplified, an identity management-as-service company acquired by RSA. Before this, he was Senior Vice President and General Manager of Quest Software's user workspace and application performance management business units from August 2011 to August 2012 and the Senior Vice President and Managing Director of Quest's corporate development team. Since January 2011, Mr. Higdon also is a member of the board of directors at JAMF Software, a Mac and iOS management company, and he is an active member of Cor Vitae, a philanthropic group of the American Heart Association.

Imran Khan. Mr. Khan has served as Senior Vice President of Global Services since February 2015. Prior to joining BMC in February 2015, he was senior vice president of global services and a member of the executive team at JDA Software, a supplier of software to world-class retailers and manufactures. Prior to JDA, Mr. Khan was vice president for worldwide network consulting at Hewlett Packard. Earlier he was vice president of global services at 3Com Corporation. He is a qualified accountant.

William D. Miller. Mr. Miller has served as President of the ZSolutions business unit since June 2014. He served as Chief Operating Officer from May 2013 until June 2014. From 2008 to 2013, he served as Senior Vice President, President of MSM. He served as Senior Vice President, General Manager, MSM from February 2007 to October 2008. Mr. Miller served as Vice President, General Manager, MSM from April 2006 to February 2007. Mr. Miller joined us in July 2002 and served in various senior management positions in our mainframe business unit, including General Manager from April 2004 to April 2006. Mr. Miller joined Bindview Development as Senior Vice President of Sales and Services in July 2000 and was promoted to Chief Operating Officer in October 2001 before joining us. Mr. Miller left IBM in 2000 after working with IBM for 21 years in various technical and sales positions and was Vice President, EMEA, Industrial Sector for his last assignment at IBM.

Nayaki Nayyar. Mrs. Nayyar has served as the President of the Digital Service Management product line since October 2016. She joined BMC from SAP where she was general manager and global head of their internet-of-things ("ioT") go-to-market group from January 2016 to October 2016. Previously, she led SAP Cloud for the Customer Engagement product division from January 2012 to December 2015. Before that, she worked in corporate strategy at SAP. She began her career at Shell before taking a role as CTO leading enterprise architecture and application development divisions at Valero.

Stephen B. Solcher. Mr. Solcher was appointed the Company's Senior Vice President and Chief Financial Officer in December 2005. From August 2005 to December 2005, Mr. Solcher served as our interim Chief Financial Officer. Prior to this appointment, Mr. Solcher had served as our Vice President of Finance and Treasurer for more than five years. Mr. Solcher joined us in 1991 as Assistant Treasurer. He is a member of the board of directors of Main Street Capital Corporation, and he also serves on the development board of the Mays Business School at Texas A&M University.

Gur Steif. Mr. Steif has been the President of the Digital Business Automation product line since April 2014. Previously, he was Vice President and General Manager of Data Center Operations from April 2013 to April 2014 and Vice President of Workload Automation and Middleware Management from April 2011 to March 2013. Mr. Steif has held leadership roles in strategy, product management, R&D, sales, marketing and M&A in IT operations management, application management and workload automation. Mr. Steif has more than 25 years of experience in systems management and data center automation.

Dan Streetman. Mr. Streetman has served as Senior Vice President, ESO Worldwide Sales since October 2017, and was interim leader from July through September 2017. He joined BMC in December 2015 as Senior Vice President for Strategic Sales and Operations, which included sales to global outsourcing and systems integrators and the federal government, as well as the Sales Operations, Inside Sales, Channel and Best Practices groups. Prior to joining BMC, Mr. Streetman was senior vice president of alliances and channels for Salesforce. He previously led sales, consulting, marketing and operations for several leading companies, including C3 Energy, Hanson McClain, Amdocs and Siebel Systems. Mr. Streetman served as an Airborne Ranger-qualified infantry officer. He served in Operation Iraqi Freedom, and is the recipient of a Bronze Star Medal and the General Douglas MacArthur Leadership Award. Mr. Streetman serves on the advisory boards of the Iraq and Afghanistan Veterans of America, the Wounded Warrior Project and several technology companies. He serves as an executive sponsor for BMC's community partnerships with veterans organizations.

Patrick K. Tagtow. Mr. Tagtow was appointed the Company's Senior Vice President, General Counsel and Corporate Secretary in November 2011. Mr. Tagtow served as our interim General Counsel from May 2011 until he was appointed to his current position in November 2011. Prior to being named General Counsel, he served as BMC's Vice President of Litigation from 2007 to 2011 with responsibility for global litigation management, legal and regulatory enterprise risk management and our compliance and ethics program. Mr. Tagtow joined us in 1999 as Legal Counsel from the law firm of Haynes and Boone, LLP, where he practiced commercial and employment litigation.

SECURITY OWNERSHIP

All of the Issuer's issued and outstanding capital stock is held by Parent. Parent is wholly-owned by the Sponsors except for less than 1% of its outstanding equity, which is owned by certain members of our management. As of September 30, 2017, we have granted stock options representing approximately 13.5% of the share capital (including outstanding stock options) of Parent to certain of our employees through our management equity incentive plan.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Shareholders Agreement

The Sponsors and certain employees of the Issuer that have acquired equity in the Issuer have entered into equityholder agreements with respect to their respective investments in the Issuer. The agreements contain agreements among the parties with respect to, among other things, the rights and privileges associated with the equity interests acquired by such parties, restrictions on the issuance or transfer of such interests, the election of the Board of Directors of the Issuer and other special corporate governance provisions. The equityholder agreements also contain provisions applicable to the issuance of equity interests to certain officers and employees of the Issuer and its subsidiaries.

Advisory Agreement

Each of Bain Capital, an affiliate of Golden Gate Capital, an affiliate of GICSI and Insight Venture Management, LLC entered into an advisory agreement (the "Advisory Agreement") with the Issuer and BMC Software, pursuant to which we have retained Bain Capital, the affiliate of Golden Gate Capital and Insight Venture Management, LLC (collectively, the "Sponsor Advisors") to provide general executive, management and consulting services and other advisory services. The Advisory Agreement has an initial term of 10 years, which initial term shall automatically be extended thereafter on a year to year basis unless BMC Software provides the Sponsor Advisors and the affiliate of GICSI with written notice of its desire to not renew the Advisory Agreement upon its expiration at least 90 days prior to the expiration of the then-current term, including any extension thereof, provided that Bain Capital and the affiliate of Golden Gate Capital may terminate the Advisory Agreement any time by delivery of written notice of termination to BMC Software. A quarterly payment is required to the Sponsor Advisors and the affiliate of GICSI, to be shared pro rata by the Sponsor Advisors and the affiliate of GICSI based on equity ownership of the Issuer by such person (together with such person's affiliates), which payment shall, solely in the case of the Sponsor Advisors, be a fee for services provided pursuant to the Advisory Agreement. The required quarterly payments are $2.5 million (subject to adjustment based on our consolidated EBITDA), plus reimbursement of the Sponsor Advisors for out-of-pocket expenses. Additionally, the agreement requires additional payments in the event of certain transactions such as a merger disposition of assets, recapitalization, refinancing or other transactions. The Issuer and BMC Software also provide customary exculpation and indemnification provisions in favor of the Sponsor Advisors, the affiliate of GICSI and their respective affiliates in connection with the Advisory Agreement and the services the Sponsor Advisors provide to the Issuer, BMC Software and their subsidiaries.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of certain provisions of the instruments evidencing our material indebtedness. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the agreements, including the definitions of certain terms therein that are not otherwise defined in this offering circular.

Senior Secured Credit Facilities

After giving effect to this offering and the Concurrent Financing Transactions, the Senior Secured Credit Facilities would have been comprised of $2,482 million of U.S. Term Loans, €924 million of Foreign Euro Term Loans and $310 million equivalent under the Revolving Facility.

Maturity; prepayments

The Term Loan Facilities mature in September 2022 (subject to acceleration to April 2021 if the aggregate principal balance of the Existing 2021 Notes is more than $700.0 million on April 15, 2021) and the Revolving Facility matures in September 2020, subject to the nonoccurrence of a springing maturity event, in which case they will mature on the later of two business days after the springing maturity event or September 10, 2018. We are required to repay the Term Loan Facilities with the proceeds of certain issuances of indebtedness (other than permitted debt), certain non-ordinary course asset sales and condemnation events (subject to reinvestment rights). A percentage (to be determined based upon the consolidated first lien net leverage ratio as of the most recent fiscal quarter) of our excess cash flow must also be applied to repay the Term Loan Facilities.

Voluntary prepayments of the Senior Secured Credit Facilities may be made without premium or penalty. We may voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans under the Revolving Facility at any time (subject to minimum repayment amounts and customary notice periods) without premium or penalty, other than customary "breakage" costs, if applicable.

Security; guarantees

Our obligations under the U.S. Term Loans and U.S. dollar revolving loans and letters of credit (the "U.S. Revolving Facility") and, in each case, at our election, our obligations under any interest rate protection or other hedging arrangements entered into with any lender in the syndicate or any of its affiliates and all of our obligations arising in connection with cash management arrangements provided by any lender or lender affiliate ("U.S. Hedging and Cash Management Obligations") are guaranteed by Parent, each of our existing and subsequently acquired or organized direct or indirect wholly owned material domestic restricted subsidiaries, subject to certain exceptions set forth therein, and BMC Software Israel LTD and Identify Software LTD (the "U.S. Guarantors"). The obligations of the Foreign Borrower under the Euro Term Loan Facility and the multicurrency portion of the Revolving Facility incurred by the Foreign Borrower and its subsidiaries and, in each case, at the election of the Foreign Borrower, obligations of the Foreign Borrower and certain of its subsidiaries under any interest rate protection or other hedging arrangements entered into with any lender in the syndicate or any of its affiliates and obligations of the Foreign Borrower and its subsidiaries arising in connection with cash management arrangements provided by any lender or lender affiliate (the "Foreign Hedging and Cash Management Obligations") guaranteed by BMC Software, the U.S. Guarantors and each subsequently acquired or organized direct or indirect wholly owned restricted subsidiary of the Foreign Borrower, subject to certain exceptions set forth therein (the "Foreign Guarantors"). The U.S. Term Loan Facility, the obligations of BMC Software under the Revolving Facility and the U.S. Hedging and Cash Management Obligations are secured on a first priority basis by the Issuer's stock and substantially all the tangible and intangible assets of the Issuer and the U.S. Guarantors (subject to certain exceptions), including equity ownership in directly owned controlled foreign corporations, including the Foreign Borrower, that is not more than 65%, all fee-owned real property in excess of certain amounts, registered intellectual property, inventory, equipment, investment property and intercompany notes, in each case, subject to certain exceptions and thresholds (the "U.S. Collateral"). The Euro Term Loan Facility, the obligations of the Foreign Borrower and its subsidiaries under the Revolving Facility, and the Foreign Hedging and Cash Management Obligations secured by the U.S. Collateral, the stock of the Foreign Borrower and of its certain material subsidiaries and substantially all the tangible and intangible assets of the Foreign Borrower and the Foreign Guarantors, including all fee-owned real property in excess of certain amounts, registered intellectual property, inventory, equipment, investment property and intercompany notes, in each case, subject to certain exceptions and thresholds.

Interest

With respect to the U.S. Term Loans and the Foreign USD Term Loans, the interest rate is, at the option of the borrower thereunder, the adjusted LIBOR rate (which is subject to a minimum rate of 1.00% per annum) plus an applicable margin or the alternative base rate (which is subject to a minimum rate of 2.00% per annum) plus an applicable margin of 4.00% per annum in the case of term loans bearing interest at the LIBOR rate and 3.00% per annum in the case of term loans bearing interest at the alternative base rate. The initial interest rate of the Foreign Euro Term Loans is the adjusted EURIBOR rate plus an applicable margin of 4.50%. With respect to the U.S. Revolving Facility, the initial interest rate is, at the option of the borrower thereunder, the adjusted LIBOR rate (which is not subject to a minimum rate) plus an applicable margin ranging between 3.50% to 4.00% or the alternative base rate (which is subject to a minimum rate) plus an applicable margin ranging between 2.50% to 3.00%, in each case, based on the first lien net leverage ratio in effect at such time and with respect to the multicurrency portion of the Revolving Facility, the initial interest rate is at the option of the borrower thereunder, the adjusted LIBOR rate (which is not subject to a minimum rate) plus an applicable margin ranging between 3.25% to 3.50% or the alternative base rate (which is not subject to a minimum rate) plus an applicable margin ranging between 2.25% to 2.50%, in each case, based on the first lien net leverage ratio in effect at such time. The applicable margin for loans under the Revolving Facility is subject to reductions.

Incremental Facility

We will be able, at our option and subject to certain other conditions described in the credit agreement governing our Senior Secured Credit Facilities, to request that the Senior Secured Credit Facilities (in the aggregate) be increased by up to (i) $750 million plus (ii) all voluntary prepayment and commitment reductions of the Senior Secured Credit Facilities plus (iii) an unlimited amount so long as such amount at such time could be incurred without causing the pro forma consolidated senior secured net leverage ratio to exceed 3.75:1.00.

Amortization

The Term Loan Facilities amortize in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount, as amended, with the balance payable on the seventh anniversary of the closing date.

Representations and Warranties

Our Senior Secured Credit Facilities contain certain customary representations and warranties including accuracy of historical financial statements and written disclosures; no material adverse effect; corporate existence; compliance with laws; corporate power and authority; due authorization, execution and delivery and enforceability; no violation of or conflict with law, organizational documents or material debt; no material litigation; ownership of material property; intellectual property; taxes; subsidiaries; use of proceeds; ERISA; environmental and labor matters; governmental consents; solvency on the closing date; creation, perfection and validity of security interests; and status of the Senior Secured Credit Facilities as senior debt.

Fees

We have paid certain upfront and recurring fees with respect to the Senior Secured Credit Facilities, including (i) fees on the unused commitments of the lenders under the Revolving Facility in the amount of

0.50% per annum (which fee shall be subject to reduction based upon our consolidated first lien net leverage ratio), (ii) letter of credit fees on the aggregate face amounts of outstanding letters of credit plus a fronting fee to the issuing banks and (iii) commitment fees.

Covenants

The Senior Secured Credit Facilities contain a number of customary affirmative and negative covenants that, among other things, limit or restrict our ability and our restricted subsidiaries' ability to (each subject to certain exclusions):

- incur additional indebtedness (including guarantee obligations);
- incur liens;
- engage in certain fundamental changes, including changes in the nature of the business, mergers, liquidations and dissolutions;
- sell assets;
- pay dividends, and make stock repurchases and redemptions;
- make acquisitions, investments, loans and advances;
- pay and modify the terms of certain subordinated indebtedness and organizational documents;
- engage in certain transactions with affiliates;
- change our fiscal year;
- limit activities of the Issuer; and
- enter into negative pledge clauses and clauses restricting subsidiary distributions.

In addition, we are required to comply with a consolidated first lien net leverage ratio test as of the last day of each fiscal quarter, which test will only be in effect when revolving loans under the Revolving Facility exceed 30% of the commitments under the Revolving Facility as of the last day of a fiscal quarter. The financial covenant is subject to an equity cure and may only be waived with the consent of a majority of the revolving lenders.

Events of Default

The Senior Secured Credit Facilities contain customary events of default (subject to customary grace periods and materiality thresholds), including nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty when made; violation of a covenant (in the case of a violation of the consolidated first lien net leverage ratio, an event of default in respect of the Term Loan Facilities shall occur only if the lenders under the Revolving Facility have declared the loans to be immediately due and payable and such acceleration has not been rescinded); cross-default and cross-acceleration to material indebtedness; bankruptcy events; material monetary judgment defaults not covered by indemnities and insurance; certain material ERISA events; invalidity of material guarantee or impairment of security of a material portion of the collateral; and a change of control. Failure to comply with the consolidated first lien net leverage ratio described above or the other provisions of the credit agreement for the Senior Secured Credit Facilities (subject to certain grace periods) could, absent a waiver or an amendment from the lenders under such agreement, restrict the availability of the Revolving Facility and permit the acceleration of all outstanding borrowings under the Senior Secured Credit Facilities.

Concurrent Financing Transactions

On November 27, 2017, we announced the launch of the New Term Loan B and the New Euro Term Loan. In connection therewith, we intend to enter into an amendment to the Senior Secured Credit Facilities which is anticipated to (i) provide for a new tranche of the Foreign Euro Term Loans that will refinance all of the Foreign Borrower's Euro-denominated term loans currently outstanding immediately prior to the effective date of such amendment (the "Amendment Effective Date"), (ii) provide for a new tranche of the U.S. Term Loans that will refinance all of the Issuer's U.S. dollar denominated term loans currently outstanding immediately prior to the Amendment Effective Date and (iii) provide a reduction in the Revolving Facility to $310 million.

The proceeds of the New Term Loan B will be used to fund the redemption of the outstanding 9.000%/ 9.750% Senior Contingent Cash Pay Notes due 2019 of Parent and the proceeds of the New Euro Term Loan will be used to repay all of the Foreign Borrower's $282 million outstanding under the Foreign USD Term Loans.

Consummation of this offering is not conditioned upon consummation of the Concurrent Financing Transactions. There can be no assurance that the consummation of the Concurrent Financing Transactions will occur.

Existing Notes

Existing 2021 Notes

To finance the Acquisition, in August 2013, the Issuer issued $1,625.0 million of senior unsecured notes due July 2021 (the "Existing 2021 Notes"), pursuant to an indenture dated August 21, 2013. The Existing 2021 Notes bear interest at a rate of 8.125% per annum, payable semi-annually on January 15 and July 15 of each year.

The Existing 2021 Notes are redeemable, in whole or in part, at the redemption prices specified in the indenture governing the Existing 2021 Notes. Upon the occurrence of a change in control as specified in the indenture governing the Existing 2021 Notes, we must offer to purchase the Existing 2021 Notes at a redemption price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the date of purchase.

The Existing 2021 Notes are guaranteed by BMC Software and certain of its subsidiaries.

Existing 2022 Notes

In November 2012, BMC Software issued $300.0 million of senior unsecured notes due December 2022 (the "December 2022 Notes"). These senior notes were issued at an original issuance discount of $2.3 million and bear interest at a rate of 4.5% per annum, payable semi-annually in June and December of each year. These senior notes are redeemable at our option at any time in whole or, from time to time, in part at a redemption price equal to the greater of: (i) 100% of the principal amount of these senior notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest discounted at the applicable U.S. Treasury rate plus 45 basis points, plus accrued and unpaid interest. As part of the Acquisition, the par value of $270.3 million (net of discount) plus consent fees and accrued interest of $9.8 million was repaid from cash at the closing of the Acquisition. The remaining $29.7 million par value of these senior notes was recorded at the date of Acquisition date fair value of $25.3 million. $27.8 million remains outstanding as of September 30, 2017.

In February 2012, BMC Software issued $500.0 million of senior unsecured notes due February 2022 (the "February 2022 Notes" and, together with the December 2022 Notes, the "Existing 2022 Notes"). These senior notes were issued at an original issuance discount of $2.7 million and bear interest at a rate of 4.25% per annum, payable semi-annually in February and August of each year. These senior notes are redeemable at our option at any time in whole or, from time to time, in part at a redemption price equal to the greater of: (i) 100% of the principal amount of these senior notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest discounted at the applicable U.S. Treasury rate plus 35 basis points, plus accrued and unpaid interest. As part of the Acquisition, the par value of $453.8 million (net of discount) plus consent fees and accrued interest of $12.6 million was repaid from cash at the closing of the Acquisition. The remaining $46.2 million par value of these senior notes was recorded at the Acquisition date fair value of $39.1 million. As of September 30, 2017, $37.5 million remains outstanding.

The Existing 2022 Notes are guaranteed by certain subsidiaries of BMC Software.

2018 Notes

In June 2008, BMC Software issued $300.0 million of senior unsecured notes due June 2018 (the "2018 Notes"). These senior notes were issued at an original issuance discount of $1.8 million and bear interest at a rate of 7.25% per annum, payable semi-annually in June and December of each year. These senior notes are redeemable at our option at any time in whole or, from time to time, in part at a redemption price equal to the greater of: (i) 100% of the principal amount of these senior notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest discounted at the applicable U.S. Treasury rate plus 50 basis points, plus accrued and unpaid interest. As part of the Acquisition, these senior notes were recorded at the Acquisition date fair value of $295.9 million. As of September 30, 2017, $200.0 million remains outstanding.

The 2018 Notes are guaranteed by certain subsidiaries of BMC Software.

All of the above existing notes contain are subject to certain customary covenants and events of default, including provisions for a put option upon a change of control, requiring us to offer to purchase the senior notes at 101% of principal plus accrued and unpaid interest.

DESCRIPTION OF NOTES

BMC Software Finance, Inc., a Delaware corporation (the "*Issuer*"), will issue €380 million aggregate principal amount of % senior notes due 2023 (the "*Notes*"). The Issuer will issue the Notes under an indenture (the "*Indenture*") to be dated as of the Issue Date, among the Issuer, the Guarantors, Wilmington Trust, National Association, as trustee (the "*Trustee*") and Elavon Financial Services DAC, UK Branch, as paying agent. The Notes will be issued in a private transaction that is not subject to the registration requirements of the Securities Act. See "Notice to Investors." The terms of the Notes include those stated in the Indenture and, except as specified below, those made part of such indenture by reference to the Trust Indenture Act.

The following is a summary of the material provisions of the Indenture. Because this is a summary, it may not contain all the information that is important to you. You should read the Indenture in its entirety. Copies of the proposed form of the Indenture are available as described under "Where You Can Find More Information." You can find the definitions of certain terms used in this description under "—Certain Definitions."

Brief Description of the Notes and the Note Guarantees

The Notes will be:

- general unsecured senior obligations of the Issuer;
- *pari passu* in right of payment with any existing and future Senior Indebtedness (including the Credit Agreement and the Existing Notes) of the Issuer;
- effectively subordinated to all Secured Indebtedness (including the Credit Agreement) of the Issuer to the extent of the value of the assets securing such Indebtedness;
- senior in right of payment to any future Subordinated Indebtedness of the Issuer;
- unconditionally guaranteed on a senior unsecured basis by each Guarantor; and
- structurally subordinated to any existing and future Indebtedness and other liabilities, including preferred stock, of Non-Guarantors.

Each Note Guarantee (as defined below) will be:

- a general unsecured senior obligation of the Guarantor;
- *pari passu* in right of payment with any existing and future senior Indebtedness (including the Credit Agreement and the Existing Notes) of the Guarantor;
- effectively subordinated to all Secured Indebtedness (including the Credit Agreement) of the Guarantor to the extent of the value of the assets securing such Indebtedness;
- senior in right of payment to any future Subordinated Indebtedness of the Guarantor; and
- structurally subordinated to any existing and future Indebtedness and other liabilities, including preferred stock, of Non-Guarantors.

Principal, Maturity and Interest

The Issuer will issue Notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The rights of Holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

The Issuer will issue an aggregate principal amount of €380 million of Notes on the Issue Date. The Notes will mature on , 2023. Interest on the Notes will accrue at the rate per annum set forth on the cover of this offering circular and will be payable, in cash, semi-annually in arrears on and of each year, commencing on , 2018, to Holders of record on the immediately preceding and , respectively. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. If the Issuer delivers global notes to the Trustee for cancellation on a date that is on or after the record date and on or before the corresponding interest payment date, the accrued and unpaid interest up to, but excluding, the redemption date will be paid on the redemption date to the Holder in whose name the Note is registered at the close of business on such record date in accordance with the applicable procedures of the common depositary of Euroclear or Clearstream, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period will end on (but not include) the relevant interest payment date.

Additional Notes

The Issuer may issue additional Notes (the "*Additional Notes*") from time to time under the Indenture, subject to compliance with the covenants contained in the Indenture. The Indenture will provide for the issuance of Additional Notes having identical terms and conditions to the Notes offered hereby. Additional Notes will be part of the same issue as the Notes offered hereby under the Indenture for all purposes, including waivers, amendments, redemptions and offers to purchase; *provided* that Additional Notes will not be issued with the same CUSIP or ISIN, as applicable, as existing Notes unless such Additional Notes are fungible with existing Notes for U.S. federal income tax purposes.

Payments

Principal of, and premium, if any, and interest on the Notes will be payable at the office or agency of Elavon Financial Services DAC, UK Branch, a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association (along with any other paying agent maintained by the Issuer, the "*Paying Agent*") or, at the option of the Paying Agent, payment of interest, if any, may be made by check mailed to the Holders at their respective addresses set forth in the register of Holders or by wire transfer of immediately available funds to the accounts specified by the Holders provided that all payments of principal, premium, if any, and interest with respect to Notes represented by one or more global notes registered in the name of or held by the common depositary of Euroclear or Clearstream or its nominee will be made by wire transfer of immediately available funds to the accounts specified by the Holder or Holders thereof. Until otherwise designated by the Issuer, the Issuer's office or agency maintained for such purpose will be the office of the Paying Agent.

The Issuer may change any Paying Agent for the Notes without prior notice to the Holders of such Notes. However, if and for so long as Notes are listed on the TISE (as defined below) and if and to the extent the rules of the TISE so require, the Issuer will notify the TISE of any change of Paying Agent in respect of the Notes. The Issuer will notify the Trustee, in writing, of any change to the Paying Agent in respect of the Notes.

Listing

An initial application has been made to The International Stock Exchange Authority Limited (the "*Authority*") for the listing of, and for permission to deal in, the Notes on the Official List of The International Stock Exchange (the "*TISE*"), which is operated by the Authority. There is no assurance that the Notes will be listed on the Official List of the TISE, that such permission to deal in the Notes will be granted or that such listing will be maintained. The consummation of this offering is not contingent upon obtaining such listing or permission.

Guarantees

From and after the Issue Date, the obligations of the Issuer under the Notes and the Indenture will be, jointly and severally, fully and unconditionally guaranteed on a senior unsecured basis (the "*Note Guarantees*") by BMC Software Israel Ltd, Identify Software LTD and each existing and future Wholly-Owned Domestic Restricted Subsidiary that Guarantees the Issuer's obligations under the Credit Agreement. Following the Issue Date, Subsidiaries will be required to Guarantee the Notes to the extent described in "—Certain Covenants—Limitation on Guarantees."

For the twelve months ended September 30, 2017, the Non-Guarantors accounted for approximately $275.0 million, or 36.2%, of the Issuer's Non-GAAP EBITDA, including intercompany transactions, and as of September 30, 2017, the Non-Guarantors accounted for approximately $2,798.2 million, or 37.7%, of the Issuer's consolidated assets, and approximately $2,348.2 million, or 28.8% of the Issuer's consolidated liabilities, in each case excluding intercompany balances.

Each Note Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable law as a fraudulent conveyance, fraudulent transfer or unjust preference, including provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law or provincial law to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. See "Risk Factors—Risks Related to the Ownership of the Notes—Under certain circumstances a court could cancel the notes or the related guarantees under fraudulent conveyance laws." Notwithstanding any other provision of the Indenture, any Guarantor incorporated in Israel (other than the Issuer) shall not and does not take any obligation, undertaking or covenant under the Indenture (a) which is related to, or creates any obligation, undertaking or covenant relating to a specific asset or specific action or transaction of such Guarantor, or (b) under which indemnification is provided to a specific action or obligation.

The Note Guarantee of a Guarantor will terminate upon:

(1) a sale, exchange, transfer or other disposition (including by way of consolidation or merger) of the Capital Stock of such Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor to a Person other than to the Issuer or a Restricted Subsidiary and as otherwise permitted by the Indenture;

(2) the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary or the occurrence of any event after which the Guarantor is no longer a Restricted Subsidiary;

(3) defeasance or discharge of the Notes, as provided in "—Defeasance" and "—Satisfaction and Discharge";

(4) to the extent that such Guarantor is not an Immaterial Subsidiary solely due to the operation of clause (i) of the definition of "Immaterial Subsidiary," upon the release of the guarantee referred to in such clause;

(5) such Guarantor being (or being substantially concurrently) released from all of (i) its obligations under all of its Guarantees of payment by the Issuer of any Indebtedness of the Issuer under the Credit Agreement or (ii) in the case of a Note Guarantee made by a Guarantor (each, an "*Other Guarantee*") as a result of its guarantee of other Indebtedness of the Issuer or a Guarantor pursuant to the covenant entitled "—Certain Covenants—Limitation on Guarantees," the relevant Indebtedness, except in the case of (i) or (ii), a release as a result of the repayment in full of the Indebtedness specified in clause (i) or (ii) (it being understood that a release subject to a contingent reinstatement is still considered a release, and if any such Indebtedness of such Guarantor under the Credit Agreement or any Other Guarantee is so reinstated, such Note Guarantee shall also be reinstated); or

(6) upon the achievement of Investment Grade Status by the Notes; *provided* that such Note Guarantee shall be reinstated upon the Reversion Date.

Claims of creditors of Non-Guarantors, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries and claims against joint ventures generally will have priority with respect to the assets and earnings of those Subsidiaries and joint ventures over the claims of creditors of the Issuer, including Holders of the Notes. The Notes and each Note Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Issuer (other than the Guarantors) and joint ventures. Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "—Certain Covenants—Limitation on Indebtedness."

Optional Redemption

Except as set forth in the next three paragraphs, the Notes are not redeemable at the option of the Issuer.

At any time prior to , 2019, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 30 nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount of such Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest, if any, to, but excluding, the redemption date.

At any time and from time to time on or after , 2019, the Issuer may redeem the Notes in whole or in part, upon not less than 30 nor more than 60 days' notice at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, on the Notes redeemed, to, but excluding, the applicable date of redemption, if redeemed during the twelve-month period beginning on of the year indicated below:

Year	Percentage
2019	%
2020	%
2021 and thereafter	100.000%

At any time and from time to time prior to , 2020, the Issuer may redeem (i) up to 40% of the aggregate principal amount of the Notes issued under the Indenture, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to % of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date with the net cash proceeds received by the Issuer from any Equity Offering; *provided* that:

(1) in each case the redemption takes place not later than 180 days after the closing of the related Equity Offering, and

(2) not less than 50% of the original aggregate principal amount of the Notes issued under the Indenture remains outstanding immediately thereafter (excluding Notes held by the Issuer or any of its Restricted Subsidiaries), unless all such Notes are redeemed substantially concurrently.

Notice of redemption will be provided as set forth under "—Selection and Notice" below.

Notice of any redemption of the Notes may, at the Issuer's discretion, be given prior to the completion of a transaction (including an Equity Offering, an incurrence of Indebtedness, a Change of Control or other transaction), and any redemption notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related transaction. If such redemption or purchase is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption or purchase may not occur, and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date or by the redemption date as so delayed. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest up to, but excluding, the redemption date will be paid on the redemption date to the Person in whose name the Note is registered at the close of business on such record date in accordance with the applicable procedures of the common depositary of Euroclear or Clearstream, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase Notes as described under "—Change of Control" and "—Certain Covenants—Limitations on Sales of Assets and Subsidiary Stock." As market conditions warrant, we and our equity holders, including the Initial Investors, their respective Affiliates and members of our management, may from time to time seek to purchase our outstanding debt securities or loans, including the Notes, in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, including the Indenture, any purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new secured or unsecured debt, including borrowings under our credit facilities. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may be with respect to a substantial amount of a particular class or series of debt, with the attendant reduction in the trading liquidity of such class or series. In addition, any such purchases made at prices below the "adjusted issue price" (as defined for U.S. federal income tax purposes) may result in taxable cancellation of indebtedness income to us, which amounts may be material, and in related adverse tax consequences to us.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Paying Agent will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Paying Agent by the Issuer, and in compliance with the requirements of the common depositary of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through the common depositary of Euroclear or Clearstream or the common depositary of Euroclear or Clearstream prescribes no method of selection, on a pro rata basis, subject to adjustments so that no Note in an unauthorized denomination remains outstanding after such redemption; *provided*, *however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part.

Notices of redemption will be delivered electronically or, at the Issuer's option, mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of the common depositary of Euroclear and Clearstream, except that redemption notices may be delivered electronically or mailed more than 60 days prior to a redemption date if the notice is issued in connection with a legal or covenant defeasance of the Notes or a satisfaction and discharge of the Indenture.

If and for so long as any Notes are listed on the Official List of the TISE and if and to the extent the rules of the TISE so require, the Issuer will notify the TISE of any such notice to the Holders of the relevant Notes and, in connection with any redemption, the Issuer will notify the TISE of any change in the principal amount of Notes outstanding.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Notes that is to be redeemed. A new Note, in principal amount equal to the unredeemed portion of the original Note, will be issued in the name of the Holder of Notes upon cancellation of the original Note. In the case of a global note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, unless the Issuer defaults in the payment of the redemption price, interest ceases to accrue on Notes or portions of Notes called for redemption.

Change of Control

The Indenture will provide that if a Change of Control occurs, unless the Issuer has previously or substantially concurrently therewith delivered a redemption notice with respect to all the outstanding Notes as described under "—Optional Redemption," the Issuer will make an offer to purchase all of the Notes pursuant to the offer described below (the "*Change of Control Offer*") at a price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, to but excluding the date of repurchase; *provided* that if the repurchase date is on or after the record date and on or before the corresponding interest payment date, then Holders in whose name the Notes are registered at the close of business on such record date will receive interest on the repurchase date. Within 30 days following any Change of Control, the Issuer will deliver or cause to be delivered a notice of such Change of Control Offer electronically in accordance with the applicable procedures of the common depositary of Euroclear and Clearstream or by first-class mail, with a copy to the Trustee and the Paying Agent, to each Holder of Notes at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of the common depositary of Euroclear or Clearstream, describing the transaction or transactions that constitute the Change of Control and offering to repurchase the Notes for the specified purchase price on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, pursuant to the procedures required by the Indenture and described in such notice, except in the case of a conditional Change of Control Offer made in advance of a Change of Control as described below.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Credit Agreement provides and we expect that future credit agreements or other agreements to which the Issuer becomes a party may provide that certain change of control events with respect to the Issuer would constitute a default thereunder (including a Change of Control under the Indenture) and prohibit or limit the Issuer from purchasing any Notes pursuant to this covenant. In the event the Issuer is prohibited from purchasing the Notes, the Issuer could seek the consent of its lenders to the purchase of the Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings, they will remain prohibited from purchasing the Notes. In such case, the Issuer's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Our ability to pay cash to the Holders of Notes following the occurrence of a Change of Control may be limited by our then-existing financial resources. Therefore, sufficient funds may not be available when necessary to make any required repurchases. The Change of Control purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of us and, thus, the removal of incumbent management. The Change of Control purchase feature is a result of negotiations between the initial purchasers and us. We have no present intention to engage in a transaction involving a Change of Control after the Issue Date, although it is possible that we could decide to do so in the future.

Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to incur additional Indebtedness are contained in the covenants described under "—Certain Covenants—Limitation on Indebtedness" and "—Certain Covenants—Limitation on Liens." Such restrictions in the Indenture can be waived only with the consent of the Holders of a majority in principal amount of the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford Holders of the Notes protection in the event of a highly leveraged transaction.

The Issuer will not be required to make a Change of Control Offer following a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (2) a notice of redemption of all outstanding Notes has been given pursuant to the Indenture as described above under the caption "—Optional Redemption," unless and until there is a default in the payment of the redemption price on the applicable Redemption Date or the redemption is not consummated due to the failure of a condition precedent contained in the applicable redemption notice to be satisfied. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 30 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to but excluding the date of redemption.

The definition of "Change of Control" includes a disposition of all or substantially all of the assets of the Issuer and its Subsidiaries, taken as a whole, to any Person. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its Subsidiaries, taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder of Notes may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the Holders of a majority in principal amount of the Notes then outstanding.

Certain Covenants

Set forth below are summaries of certain covenants that will be contained in the Indenture. For the avoidance of doubt, the consummation of the Transactions shall not be prohibited by the covenants below under "—Certain Covenants."

Suspension of Covenants on Achievement of Investment Grade Status

Following the first day:

(a) the Notes have achieved Investment Grade Status; and

(b) no Default or Event of Default has occurred and is continuing under the Indenture,

then, beginning on that day and continuing until the Reversion Date (as defined below), the Issuer and its Restricted Subsidiaries will not be subject to the provisions of the Indenture summarized under the following headings (collectively, the "Suspended Covenants"):

- "—Limitation on Restricted Payments,"
- "—Limitation on Indebtedness,"
- "—Limitation on Restrictions on Distributions from Restricted Subsidiaries,"
- "—Limitation on Affiliate Transactions,"
- "—Limitation on Sales of Assets and Subsidiary Stock,"
- "—Limitation on Guarantees," and
- the provisions of clause (3) of the first paragraph of "—Merger and Consolidation."

If at any time the Notes cease to have such Investment Grade Status or if a Default or Event of Default occurs and is continuing, then the Suspended Covenants will thereafter be reinstated as if such covenants had never been suspended (the "*Reversion Date*") and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the Notes subsequently attain Investment Grade Status and no Default or Event of Default is in existence (in which event the Suspended Covenants shall no longer be in effect for such time that the Notes maintain an Investment Grade Status and no Default or Event of Default is in existence); provided, however, that no Default, Event of Default or breach of any kind shall be deemed to exist under the Indenture, the Notes or the Note Guarantees with respect to the Suspended Covenants based on, and none of the Issuer or any of its Subsidiaries shall bear any liability for, any actions taken or events occurring during the Suspension Period (as defined below), or any actions taken at any time pursuant to any contractual obligation arising prior to the Reversion Date, regardless of whether such actions or events would have been permitted if the applicable Suspended Covenants remained in effect during such period. The period of time between the date of suspension of the covenants and the Reversion Date is referred to as the "Suspension Period."

On the Reversion Date, all Indebtedness Incurred during the Suspension Period will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of "—Limitation on Indebtedness." Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under "—Limitation on Restricted Payments" will be made as though the covenants described under "—Limitation on Restricted Payments" had been in effect since the Issue Date and prior to, but not during, the Suspension Period; *provided*, that, no Subsidiaries may be designated as Unrestricted Subsidiaries during the Suspension Period, unless such designation would have complied with the covenant described under "—Limitation on Restricted Payments" as if such covenant would have been in effect during such period. Accordingly, Restricted Payments made during the Suspension Period will not reduce the amount available to be made as Restricted Payments under the first paragraph of "—Limitation on Restricted Payments." In addition, any future obligation to grant further Note Guarantees shall be released. All such further obligation to grant Guarantees shall be reinstated upon the Reversion Date. No default or Event of Default will be deemed to have occurred on the Reversion Date as a result of any actions taken by the Issuer or its Restricted Subsidiaries that would have violated a Suspended Covenant during the Suspension Period.

On and after each Reversion Date, the Issuer and its Subsidiaries will be permitted to consummate the transactions contemplated by any contract entered into during the Suspension Period, so long as such contract and such consummation would have been permitted during such Suspension Period.

There can be no assurance that the Notes will ever achieve or maintain Investment Grade Status.

The Trustee shall have no duty to monitor the ratings of the Notes, shall not be deemed to have any knowledge of the ratings of the Notes and shall have no duty to notify Holders if the Notes achieve Investment Grade Status.

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any of its Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness), if on the date of such Incurrence and after giving pro forma effect thereto (including pro forma application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries is greater than 2.00 to 1.00; *provided, further*, that Non-Guarantors may not Incur Indebtedness if, after giving pro forma effect to such Incurrence (including a pro forma application of the net proceeds therefrom), more than an aggregate of the greater of (a) $250.0 million and (b) 2.50% of Total Assets of Indebtedness of Non-Guarantors would be outstanding pursuant to this paragraph.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (collectively, "*Permitted Debt*"):

(1) Indebtedness Incurred pursuant to any Credit Facility (including letters of credit or bankers' acceptances issued or created under any Credit Facility), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at the time of Incurrence not exceeding (i) $4,980.0 million, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause or any portion thereof, the aggregate amount of fees, underwriting discounts, accrued and unpaid interest, premiums (including tender premiums) and other costs and expenses (including original issue discount, upfront fees or similar fees) Incurred or payable in connection with such refinancing;

(2) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness or other obligations of Holdings, the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness or other obligations is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

    (a) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary, and

    (b) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary,

    shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be;

(4) Indebtedness represented by (a) the Notes (other than any Additional Notes), including any Guarantee thereof, (b) any Indebtedness (other than Indebtedness Incurred pursuant to clauses (1) and (3)) outstanding on the Issue Date (including the Existing Notes) and any Guarantees thereof (including any exchange notes and related exchange guarantees issued in respect of such Existing Notes), (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clauses (5) or (10) of this paragraph or Incurred pursuant to the first paragraph of this covenant, and (d) Management Advances;

(5) (x) Indebtedness of the Issuer or any Restricted Subsidiary Incurred or issued to finance an acquisition or (y) Acquired Indebtedness; *provided* that such Indebtedness is in an aggregate amount not to exceed (i) $150.0 million at the time of Incurrence, plus (ii) unlimited additional Indebtedness if after giving effect to such acquisition, merger or consolidation, either:

(a) the Issuer would be permitted to Incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of this covenant,

(b) the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries would not be lower than immediately prior to such acquisition, merger or consolidation, or

(c) such Indebtedness constitutes Acquired Indebtedness (other than Indebtedness Incurred in contemplation of the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary); *provided* that the only obligors with respect to such Indebtedness shall be those Persons who were obligors of such Indebtedness prior to such acquisition, merger or consolidation;

(6) Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes);

(7) Indebtedness represented by Capitalized Lease Obligations or Purchase Money Obligations in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause and then outstanding, does not exceed the greater of (a) $250.0 million and (b) 2.50% of Total Assets at the time of Incurrence, and any Refinancing Indebtedness in respect thereof;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, customer guarantees, performance, indemnity, surety, judgment, appeal, advance payment (including progress premiums), customs, value added or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or consistent with past practice; (b) the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business or consistent with past practice; *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence; (c) customer deposits and advance payments (including progress premiums) received in the ordinary course of business or consistent with past practice from customers for goods or services purchased in the ordinary course of business or consistent with past practice; (d) letters of credit, bankers' acceptances, warehouse receipts, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or consistent with past practice; and (e) any customary treasury, depositary, cash management, automatic clearinghouse arrangements, overdraft protections, credit or debit card, purchase card, electronic funds transfer, cash pooling or netting or setting off arrangements or similar arrangements in the ordinary course of business or consistent with past practice;

(9) Indebtedness arising from agreements providing for guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition);

(10) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated

Preferred Stock or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall not increase the amount available for making Restricted Payments to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause to the extent such Net Cash Proceeds or cash have been applied to make Restricted Payments;

(11) Indebtedness of Non-Guarantors in an aggregate amount not to exceed the greater of (a) $250.0 million and (b) 2.50% of Total Assets at the time of Incurrence;

(12) Indebtedness consisting of promissory notes issued by the Issuer or any of its Subsidiaries to any future, present or former employee, director, contractor or consultant of the Issuer, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, or heirs of such employee, director, contractor or consultant), to finance the purchase or redemption of Capital Stock of the Issuer or any Parent Entity that is permitted by the covenant described below under "—Limitation on Restricted Payments";

(13) Indebtedness of the Issuer or any of its Restricted Subsidiaries consisting of (i) the financing of insurance premiums or (ii) take-or-pay obligations contained in supply arrangements, in each case Incurred in the ordinary course of business or consistent with past practice;

(14) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause and then outstanding, will not exceed the greater of (a) $300.0 million and (b) 30.0% of LTM EBITDA;

(15) Indebtedness in respect of any Qualified Securitization Financing or any Receivables Facility;

(16) Indebtedness of the Issuer or any of its Restricted Subsidiaries arising pursuant to any Permitted Tax Restructuring or any Intercompany License Agreement;

(17) Indebtedness of the seller of any business or assets permitted to be acquired by Holdings, the Issuer or any Restricted Subsidiary under the Indenture; provided that the aggregate amount of Indebtedness Incurred pursuant to this clause and then outstanding will not exceed $100.0 million;

(18) Indebtedness Incurred in connection with Permitted Sale and Leaseback transactions; provided that the aggregate amount of Indebtedness Incurred pursuant to this clause and then outstanding will not exceed $200.0 million; and

(19) obligations in respect of Disqualified Stock in an amount not to exceed $25.0 million outstanding at the time of Incurrence.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) subject to clause (3) below, in the event that all or any portion of any item of Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) subject to clause (3) below, additionally, all or any portion of any item of Indebtedness may later be reclassified as having been Incurred pursuant to any type of Indebtedness described in the first and second paragraphs of this covenant so long as such Indebtedness is permitted to be Incurred pursuant to such provision and any related Liens are permitted to be Incurred at the time of reclassification;

(3) all Indebtedness outstanding on the Issue Date under the Credit Agreement shall be deemed Incurred on the Issue Date under clause (1) of the second paragraph of the description of this covenant and may not be reclassified at any time pursuant to clause (1) or (2) of this paragraph;

(4) in the case of any Refinancing Indebtedness, when measuring the outstanding amount of such Indebtedness, such amount shall not include the aggregate amount of fees, underwriting discounts, accrued and unpaid interest, premiums (including tender premiums) and other costs and expenses (including original issue discount, upfront fees or similar fees) Incurred or payable in connection with such refinancing;

(5) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(6) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to any clause of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(7) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(8) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(9) the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount of Indebtedness, or liquidation preference thereof, in the case of any other Indebtedness;

(10) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness, Disqualified Stock or Preferred Stock or commits to Incur any Lien pursuant to clause (31) of the definition of "Permitted Liens," the incurrence or issuance thereof for all purposes under the Indenture, including without limitation for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Total Secured Leverage Ratio or the Consolidated Total Leverage Ratio, as applicable, or usage of clauses (1) through (19) of the preceding paragraph (if any) for borrowings and reborrowings thereunder (and including issuance and creation of letters of credit and bankers' acceptances thereunder) will, at the Issuer's option, either (a) be determined on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof has been borrowed as of such date) or other Indebtedness, Disqualified Stock or Preferred Stock, and, if such Fixed Charge Coverage Ratio, the Consolidated Total Secured Leverage Ratio or the Consolidated Total Leverage Ratio, as applicable, test or other provision of the Indenture is satisfied with respect thereto at such time, any borrowing or reborrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant irrespective of the Fixed Charge Coverage Ratio, the Consolidated Total Secured Leverage Ratio or the Consolidated Total Leverage Ratio, as applicable, or other provision of the Indenture at the time of any borrowing or reborrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this clause (a) shall be the "*Reserved Indebtedness Amount*" as of such date for purposes of the Fixed Charge Coverage Ratio, the Consolidated Total Secured Leverage Ratio or the Consolidated Total Leverage Ratio, as applicable) or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and in each case, the Issuer may revoke such determination at any time and from time to time;

(11) in the event that the Issuer or a Restricted Subsidiary (x) incurs Indebtedness to finance an acquisition or (y) assumes Indebtedness of Persons that are acquired by the Issuer or any Restricted Subsidiary or

merged into the Issuer or a Restricted Subsidiary in accordance with the terms of the Indenture, the date of determination of the Fixed Charge Coverage Ratio, the Consolidated Total Secured Leverage Ratio or the Consolidated Total Leverage Ratio, as applicable, shall, at the option of the Issuer, be (a) the date that a definitive agreement for such acquisition is entered into and the Fixed Charge Coverage Ratio, the Consolidated Total Secured Leverage Ratio or the Consolidated Total Leverage Ratio, as applicable, shall be calculated giving pro forma effect to such acquisition and any actions or transactions related thereto (including acquisitions, Investments, the Incurrence or issuance of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof) consistent with the definition of the Fixed Charge Coverage Ratio, the Consolidated Total Secured Leverage Ratio or the Consolidated Total Leverage Ratio, as applicable, and, for the avoidance of doubt, (A) if any such ratios are exceeded as a result of fluctuations in such ratio (including due to fluctuations in the Consolidated EBITDA of the Issuer or the target company) at or prior to the consummation of the relevant acquisition, such ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether such acquisition and any related transactions are permitted hereunder and (B) such ratios shall not be tested at the time of consummation of such acquisition or related transactions; *provided*, *further*, that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, (i) any such transaction shall be deemed to have occurred on the date the definitive agreement is entered into and to be outstanding thereafter for purposes of calculating any ratios under the Indenture after the date of such agreement and before the earlier of the date of consummation of such acquisition or the date such agreement is terminated or expires without consummation of such acquisition and (ii) to the extent any covenant baskets were utilized in satisfying any covenants, such baskets shall be deemed utilized until the earlier of the date of consummation of such acquisition or the date such agreement is terminated or expires without consummation of such acquisition, but any calculation of Consolidated EBITDA for purposes of other incurrences of Indebtedness or Liens or making of Restricted Payments (not related to such acquisition) shall not reflect such acquisition until it has been consummated or (b) the date such Indebtedness is Incurred or assumed;

(12) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness incurred to refinance Indebtedness initially incurred in reliance on a clause of the second paragraph of this covenant measured by reference to a percentage of Total Assets or LTM EBITDA at the time of Incurrence, if such refinancing would cause the percentage of Total Assets or LTM EBITDA restriction to be exceeded if calculated based on the percentage of Total Assets or LTM EBITDA on the date of such refinancing, such percentage of Total Assets or LTM EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, plus premiums (including tender premiums), defeasance, costs and fees in connection with such refinancing; and

(13) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of GAAP.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in GAAP, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "—Limitation on Indebtedness."

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "—Limitation on Indebtedness," the Issuer shall be in default of this covenant).

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in the same currency as the Indebtedness being refinanced, shall be calculated based on the currency exchange rate in effect on the date such Indebtedness was originally incurred, in the case of term indebtedness, or first committed, in the case of revolving credit indebtedness. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

The Indenture will provide that the Issuer will not, and will not permit any Guarantor to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) that is subordinated or junior in right of payment to any Indebtedness of the Issuer, or such Guarantor, as the case may be, unless such Indebtedness is expressly subordinated in right of payment to the Notes or such Guarantor's Note Guarantee to the extent and in the same manner as such Indebtedness is subordinated to other Indebtedness of the Issuer or such Guarantor, as the case may be.

The Indenture will not treat (1) unsecured Indebtedness as subordinated or junior to Secured Indebtedness merely because it is unsecured or (2) senior Indebtedness as subordinated or junior to any other senior Indebtedness merely because it has a junior priority with respect to the same collateral or is secured by different collateral or because it is guaranteed by different obligors.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any such payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

  (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer; and

  (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis);

(2) purchase, repurchase, redeem, retire or otherwise acquire or retire for value any Capital Stock of the Issuer or any Parent Entity of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer;

(3) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such purchase, repurchase, redemption, defeasance or other acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "—Limitation on Indebtedness"); or

(4) make any Restricted Investment;

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) are referred to herein as a "*Restricted Payment*"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

  (a) in the case of a Restricted Payment other than a Restricted Investment, an Event of Default shall have occurred and be continuing (or would immediately thereafter result therefrom);

(b) in the case of a Restricted Payment other than a Restricted Investment, the Issuer is not able to Incur an additional $1.00 of Indebtedness pursuant to the first paragraph under the "—Limitation on Indebtedness" covenant immediately after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments made pursuant to clauses (1) (without duplication) and (10) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph) would exceed the sum of (without duplication):

   (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from June 1, 2013 to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Issuer are available, which may be internal consolidated financial statements (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

   (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock or as the result of a merger or consolidation with another Person subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock) of the Issuer subsequent to August 21, 2013 (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the next succeeding paragraph and (z) Excluded Contributions);

   (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness, Disqualified Stock or Designated Preferred Stock that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preferred Stock) plus, without duplication, the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange;

   (iv) 100% of the aggregate amount received in cash and the fair market value, as determined in good faith by the Issuer, of marketable securities or other property received by means of: (i) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary) of Restricted Investments made by the Issuer or its Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Issuer or its Restricted Subsidiaries and repayments of loans or advances, and releases of guarantees, which constitute Restricted Investments by the Issuer or its Restricted Subsidiaries, in each case after the Issue Date; or (ii) the sale (other than to the Issuer or a Restricted Subsidiary) of the stock of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary (other than to the extent of the amount of the Investment that constituted a Permitted Investment or was made under clause (17) of the next succeeding paragraph) or a dividend from an Unrestricted Subsidiary after the Issue Date; and

(v) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or the merger or consolidation of an Unrestricted Subsidiary into the Issuer or a Restricted Subsidiary or the transfer of all or substantially all of the assets of an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary after the Issue Date, the fair market value of the Investment in such Unrestricted Subsidiary (or the assets transferred), as determined in good faith by the Issuer at the time of the redesignation of such Unrestricted Subsidiary as a Restricted Subsidiary or at the time of such merger or consolidation or transfer of assets (after taking into consideration any Indebtedness associated with the Unrestricted Subsidiary so designated or merged, amalgamated or consolidated or Indebtedness associated with the assets so transferred), other than to the extent of the amount of the Investment that constituted a Permitted Investment.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) the payment of any dividend or distribution within 60 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of the Indenture or the redemption, repurchase or retirement of Indebtedness if, at the date of any irrevocable redemption notice, such payment would have complied with the provisions of the Indenture as if it were and is deemed at such time to be a Restricted Payment at the time of such notice;

(2) (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock ("*Treasury Capital Stock*") or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preferred Stock) ("*Refunding Capital Stock*") or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock or through an Excluded Contribution) of the Issuer, *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Capital Stock or such contribution will be excluded from clause (c) of the preceding paragraph and (b) if immediately prior to the retirement of Treasury Capital Stock, the declaration and payment of dividends thereon was permitted under clause (13) of this paragraph, the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Capital Stock of a Parent Entity) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Treasury Capital Stock immediately prior to such retirement;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Subordinated Indebtedness that constitutes Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" above;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock (other than an issuance of Disqualified Preferred Stock of the Issuer or Preferred Stock of a Restricted Subsidiary to replace Preferred Stock (other than Disqualified Preferred Stock) of the Issuer) of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" above;

(5) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness or Disqualified Stock or Preferred Stock of a Restricted Subsidiary:

(a) from Net Available Cash to the extent permitted under "—Limitation on Sales of Assets and Subsidiary Stock" below, but only if the Issuer shall have first complied with the terms described under "—Limitation on Sales of Assets and Subsidiary Stock" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock; or

(b) to the extent required by the agreement governing such Subordinated Indebtedness, Disqualified Stock or Preferred Stock, following the occurrence of (i)a Change of Control (or other similar event described therein as a "change of control") or (ii) an Asset Disposition (or other similar event described therein as an "asset disposition" or "asset sale"), but only if the Issuer shall have first complied with the terms described under "—Change of Control" or "—Limitation on Sales of Assets and Subsidiary Stock," as applicable, and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness, Disqualified Stock or Preferred Stock; or

(c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition);

(6) a Restricted Payment to pay for the repurchase, retirement or other acquisition or retirement for value of Capital Stock (other than Disqualified Stock) of the Issuer or any Parent Entity held by any future, present or former employee, director or consultant of the Issuer, any of its Subsidiaries or any Parent Entity (or permitted transferees, assigns, estates, trusts or heirs of such employee, director, contractor or consultant) either pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or upon the termination of such employee, director, contractor or consultant's employment or directorship; *provided*, *however*, that the aggregate Restricted Payments made under this clause do not exceed $35.0 million in any calendar year (with unused amounts in any calendar year, commencing with the 2013 calendar year, being carried over to succeeding calendar years subject to a maximum of $70.0 million in any calendar year); *provided further* that such amount in any calendar year may be increased by an amount not to exceed:

(a) the cash proceeds from the sale of Capital Stock (other than Disqualified Stock or Designated Preferred Stock or Excluded Contributions) of the Issuer and, to the extent contributed to the capital of the Issuer (other than through the issuance of Disqualified Stock or Designated Preferred Stock or an Excluded Contribution), Capital Stock of any Parent Entity, in each case to members of management, directors or consultants of the Issuer, any of its Subsidiaries or any Parent Entity that occurred after the Issue Date, to the extent the cash proceeds from the sale of such Capital Stock have not otherwise been applied to the payment of Restricted Payments by virtue of clause (c) of the preceding paragraph; plus

(b) the cash proceeds of key man life insurance policies received by the Issuer and its Restricted Subsidiaries after the Issue Date; less

(c) the amount of any Restricted Payments made in previous calendar years pursuant to clauses (a) and (b) of this clause;

and *provided further* that cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from any future, present or former members of management, directors, employees, contractors or consultants of the Issuer or Restricted Subsidiaries or any Parent Entity in connection with a repurchase of Capital Stock of the Issuer or any Parent Entity will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(7) the declaration and payment of dividends on Disqualified Stock or Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "—Limitation on Indebtedness" above;

(8) the repurchase of Capital Stock deemed to occur upon the exercise of options, warrants or similar instruments if (A) such Capital Stock represents all or a portion of the exercise price thereof, (B) such repurchase in lieu of issuing of fractional Capital Stock or (C) such repurchase is made to satisfy the recipient's withholding obligation in respect of such exercise, and, in the case of each of clauses (i) and (ii), will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(9) dividends, loans, advances or distributions to any Parent Entity or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent Entity to pay any Parent Entity Expenses or any Related Taxes;

(b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2), (3), (5), (11) and (12) of the second paragraph under "—Limitation on Affiliate Transactions";

(10) (a) the declaration and payment of dividends on the common stock or common equity interests of the Issuer or any Parent Entity (and any equivalent declaration and payment of a distribution of any security exchangeable for such common stock or common equity interests to the extent required by the terms of any such exchangeable securities and any Restricted Payment to any such Parent Entity to fund the payment by such Parent Entity of dividends on such entity's Capital Stock), following a public offering of such common stock or common equity interests (or such exchangeable securities, as applicable), in an amount in any fiscal year not to exceed 6% of the amount of net cash proceeds received by or contributed to the Issuer or any of its Restricted Subsidiaries from any such public offering; or (b) in lieu of all or a portion of the dividends permitted by clause (10)(a), any repurchase, redemption, defeasance or other acquisition or retirement for value of the Issuer's Capital Stock (and any equivalent declaration and payment of a distribution of any security exchangeable for such common stock or common equity interests to the extent required by the terms of any such exchangeable securities and any Restricted Payment to any such Parent Entity to fund the payment by such Parent Entity of dividends on such entity's Capital Stock) for aggregate consideration that, when take together with dividends permitted by clause (10)(a), does not exceed the amount contemplated by clause (10)(a);

(11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Issuer or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Issuer);

(12) Restricted Payments that are made with Excluded Contributions;

(13) (i) the declaration and payment of dividends on Designated Preferred Stock of the Issuer issued after the Issue Date; (ii) the declaration and payment of dividends to a Parent Entity in an amount sufficient to allow the Parent Entity to pay dividends to holders of its Designated Preferred Stock issued after the Issue Date; and (iii) the declaration and payment of dividends on Refunding Capital Stock that is Preferred Stock; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid to a Person pursuant to such clauses shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution of the Issuer), from the issuance or sale of such Designated Preferred Stock; *provided further*, in the case of clauses (i), (ii) and (iii), that for the most recently ended four fiscal quarters for which consolidated financial statements are available (which may be internal financial statements) immediately preceding the date of issuance of such Designated Preferred Stock or declaration of such dividends on such Refunding Capital Stock, after giving effect to

such payment on a pro forma basis the Issuer would be permitted to Incur at least $1.00 of additional Indebtedness pursuant to the test set forth in the first paragraph of the covenant described under "—Limitation on Indebtedness";

(14) distributions, by dividend or otherwise, or other transfer or disposition of shares of Capital Stock, of equity interests in, or Indebtedness owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries, substantially all the assets of which are cash and Cash Equivalents) or proceeds thereof;

(15) distributions or payments of Securitization Fees, sales contributions and other transfers of Securitization Assets or Receivables Assets and purchases of Securitization Assets or Receivables Assets pursuant to a Securitization Repurchase Obligation, in each case in connection with a Qualified Securitization Financing or Receivables Facility;

(16) any Restricted Payment made in connection with the Transactions and any Permitted Tax Restructuring and the costs and expenses (including all legal, accounting and other professional fees and expenses) related thereto or used to fund amounts owed to Affiliates in connection with the Transactions and any Permitted Tax Restructuring (including, without limitation, payments to dissenting stockholders in connection with, or as a result of, their exercise of appraisal rights and the settlement of any claims or actions (whether actual, contingent or potential) with respect thereto (including any accrued interest) and the making of any Restricted Payment in connection with the Dividend Transactions;

(17) Restricted Payments (including loans or advances) in an aggregate amount outstanding at the time made not to exceed the greater of (a) $250.0 million and (b) 2.50% of Total Assets at such time;

(18) any Restricted Payments made by the Issuer or any Restricted Subsidiary; *provided* that, immediately after giving pro forma effect thereto and the Incurrence of any Indebtedness the net proceeds of which are used to finance such Restricted Payment, the Consolidated Total Leverage Ratio would be no greater than 3.50 to 1.00;

(19) mandatory redemptions of Disqualified Stock issued as a Restricted Payment or as consideration for a Permitted Investment;

(20) Restricted Payments by the Issuer and its Restricted Subsidiaries pursuant to the Intercompany License Agreements; and

(21) so long as (i) no Event of Default has occurred and is continuing (or would result therefrom), (ii) solely to the extent used to make a Restricted Payment of the type described in clause (1) or (2) of the definition thereof and (iii) the Consolidated Total Leverage Ratio on a pro forma basis immediately after giving effect to such Restricted Payment would be no greater than the Consolidated Total Leverage Ratio immediately prior to the date of the Asset Disposition giving rise to such Retained Asset Sale Proceeds on a pro forma basis (but without giving effect to such Asset Disposition or any use of proceeds therefrom), Restricted Payments solely to the extent funded by Retained Asset Sale Proceeds.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (21) above, or is permitted pursuant to the first paragraph of this covenant and/or one or more of the clauses contained in the definition of "Permitted Investments", the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as an Investment pursuant to one or more of the clauses contained in the definition of "Permitted Investments."

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such

Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment, property or assets other than cash shall be determined conclusively by the Issuer acting in good faith.

For the avoidance of doubt, this covenant shall not restrict the making of any "AHYDO catch-up payment" with respect to, and required by the terms of, any Indebtedness of the Issuer or any of its Restricted Subsidiaries permitted to be Incurred under the Indenture.

Limitation on Liens

The Issuer will not, and will not permit any Guarantor to, directly or indirectly, create, Incur or permit to exist any Lien (except Permitted Liens) (each, an "*Initial Lien*") that secures obligations under any Indebtedness or any related guarantee, on any asset or property of the Issuer or any Guarantor, unless:

(1) in the case of Liens securing Subordinated Indebtedness, the Notes and related Guarantees are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens; or

(2) in all other cases, the Notes or the Guarantees are equally and ratably secured.

Any Lien created for the benefit of the Holders of the Notes pursuant to the preceding sentence shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien.

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "*Increased Amount*" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility, (b) the Existing Notes or (c) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;

(2) any encumbrance or restriction pursuant to the Indenture, the Notes or the Note Guarantees;

(3) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary or entered into in contemplation of or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause, if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract or agreement, or the assignment or transfer of any lease, license or other contract or agreement;

(b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer or encumbrance of the property or assets subject to such mortgages, pledges, charges or other security agreements;

(c) or conditions contained in any trading, netting, operating, construction, service, supply, purchase, sale or other agreement to which the Issuer or any of its Restricted Subsidiaries is a party entered into in the ordinary course of business or consistent with past practice; *provided* that such agreement prohibits the encumbrance of solely the property or assets of the Issuer or such Restricted Subsidiary that are subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Issuer or such Restricted Subsidiary or the assets or property of another Restricted Subsidiary; or

(d) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired;

(6) any encumbrance or restriction imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of the Issuer or any Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, shareholder agreements, joint venture agreements, organizational documents and other similar agreements and instruments;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable law, rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business or consistent with past practice;

(10) any encumbrance or restriction pursuant to Hedging Obligations;

(11) other Indebtedness, Disqualified Stock or Preferred Stock of Foreign Subsidiaries permitted to be Incurred or issued subsequent to the Issue Date pursuant to the provisions of the covenant described under "—Limitation on Indebtedness" that impose restrictions solely on the Foreign Subsidiaries party thereto or their Subsidiaries;

(12) restrictions created in connection with any Qualified Securitization Financing or Receivables Facility that, in the good faith determination of the Issuer, are necessary or advisable to effect such Securitization Facility or Receivables Facility;

(13) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—Limitation on Indebtedness" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Credit Agreement, together with the security documents associated therewith as in effect on the Issue Date or (ii) in comparable financings (as determined in good faith by the Issuer) and where, in the case of clause (ii), either (a) the Issuer determines at the time of entry into such agreement or instrument that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or (b) such encumbrance or restriction applies only during the continuance of a default relating to such agreement or instrument;

(14) any encumbrance or restriction existing by reason of any lien permitted under "—Limitation on Liens"; or

(15) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clauses (1) to (14) of this paragraph or this clause (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) to (14) of this paragraph or this clause; *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer).

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Issuer, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap) at least 75% of the consideration from such Asset Disposition, together with all other Asset Dispositions since the Issue Date (on a cumulative basis), (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents; and

(3) the Issuer or any of its Restricted Subsidiaries, at its respective option, will apply such Net Available Cash from any Asset Disposition:

(a) (i) to prepay, repay or purchase any Indebtedness of a Non-Guarantor (in each case, other than Indebtedness owed to the Issuer or any Restricted Subsidiary) or any Secured Indebtedness, including Indebtedness under the Credit Agreement (or any Refinancing Indebtedness in respect thereof) within 450 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be reduced in an amount equal to the principal amount so prepaid, repaid or purchased; (ii) to prepay, repay or purchase Pari Passu Indebtedness; *provided* that, to the extent the Issuer redeems, repays or repurchases Pari Passu Indebtedness pursuant to this clause (ii), the Issuer shall equally and ratably reduce Obligations under the Notes as provided under "Optional Redemption," through open-market purchases (to the extent such purchases are at or above 100% of the principal amount thereof) or by making an offer (in accordance with the procedures set forth below for an Asset Disposition Offer) to all Holders to purchase their Notes at 100% of the principal amount thereof, plus the amount of accrued but unpaid interest, if any, on the amount of Notes that would otherwise be prepaid; or (iii) to make an Asset Disposition Offer; and

(b) to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or another Restricted Subsidiary) within 450 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, however, that a binding agreement shall be treated as a permitted application of Net Available Cash from the date of such commitment with the good faith expectation that an amount equal to Net Available Cash will be applied to satisfy such commitment within 180 days of such commitment (an "*Acceptable Commitment*") and, in the event of any Acceptable Commitment is later cancelled or terminated for any reason before such amount is applied in connection therewith, the Issuer or such Restricted Subsidiary enters into another Acceptable Commitment (a "*Second Commitment*") within 180 days of such cancellation or termination; provided further that if any Second Commitment is later cancelled or terminated for any reason before such amount is applied, then such Net Available Cash shall constitute Excess Proceeds;

provided that, (1) pending the final application of the amount of any such Net Available Cash in accordance with clause (a) or (b) above, the Issuer and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise use such Net Available Cash in any manner not prohibited by the Indenture; (2) the Issuer (or any Restricted Subsidiary, as the case may be) may elect to invest in Additional Assets prior to receiving the Net Available Cash attributable to any given Asset Disposition (*provided further,* that such investment shall be made no earlier than the earliest of notice to the Trustee of the relevant Asset Disposition, execution of a definitive agreement for the relevant Asset Disposition, and consummation of the relevant Asset Disposition) and deem the amount so invested to be applied pursuant to and in accordance with clause (b) above with respect to such Asset Disposition; and (3) that the Issuer shall not be obligated to comply with clause (3) above of this covenant (such Net Available Cash not subject to prepayment pursuant to this covenant, the "*Retained Asset Sale Proceeds*") and such Retained Asset Sale Proceeds shall not constitute Net Cash Proceeds if (i) such Asset Disposition is a disposition of all or substantially all of a product line or line of business and (ii)(x) the Consolidated Total Leverage Ratio and (y) the Consolidated Total Secured Leverage Ratio, in each case, computed on a pro forma basis as of the date the Asset Disposition is consummated (solely for purposes of this proviso and not for any other purpose hereunder, the Retained Asset Sale Proceeds of the applicable Asset Disposition are not included in clause (x) of the definition of Consolidated Total Leverage Ratio or clause (x) of the definition of Consolidated Total Secured Leverage Ratio), is less than or equal to 4.00 to 1.00 and 2.50 to 1.00, respectively, as of the date of determination.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute "*Excess Proceeds*" under the Indenture. On the 451st day after the later of (x) an Asset Disposition or (y) the receipt of such Net Available Cash, or earlier if the Issuer elects, if the aggregate amount of Excess Proceeds under the Indenture exceeds (i) $25.0 million in the case of a single transaction or series of related transactions or (ii) $50.0 million aggregate amount in any fiscal year, the Issuer will within 10 Business Days be required to make an offer ("*Asset Disposition Offer*") to all Holders of Notes issued under such Indenture and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to 100% of the principal amount of the Notes and Pari Passu Indebtedness, in each case plus accrued and unpaid interest to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and with respect to the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver notice of such Asset Disposition Offer electronically or by first-class mail, with a copy to the Trustee, the Paying Agent and each Holder of Notes at the address of such Holder appearing in the security register or otherwise in accordance with the applicable procedures of the common depositary of Euroclear or Clearstream, describing the transaction or transactions that constitute the Asset Disposition and offering to repurchase the Notes for the specified purchase price on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, pursuant to the procedures required by the Indenture and described in such notice. The Issuer may satisfy the foregoing obligations with respect to any Net Available Cash from an Asset Disposition by making an Asset Disposition Offer with respect to all Net Available Cash prior to the expiration of the relevant 450 days (or such longer period provided above) or with respect to any unapplied Excess Proceeds.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer or any Restricted Subsidiary may use any remaining Excess Proceeds for any purpose not prohibited by the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness provided that no Notes or other Pari Passu Indebtedness will be selected and purchased in an unauthorized denomination. Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. Additionally, the Issuer may, at its option, make an Asset Disposition Offer using proceeds from any Asset Disposition at any time after the consummation of such Asset Disposition. Upon consummation or expiration of any Asset Disposition Offer, any remaining Net Available Cash shall not be deemed Excess Proceeds and the Issuer may use such Net Available Cash for any purpose not prohibited by the Indenture.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than U.S. dollars, the amount thereof payable in respect of the Notes shall not exceed the net amount of funds in U.S. dollars that is actually received by the Issuer upon converting such portion into U.S. dollars.

Notwithstanding any other provisions of this covenant, (i) to the extent that any of or all the Net Available Cash of any Asset Disposition by a Foreign Subsidiary (a "*Foreign Disposition*") is (x) prohibited or delayed by applicable local law, (y) restricted by applicable organizational documents or any agreement or (z) subject to other onerous organizational or administrative impediments from being repatriated to the United States, the portion of such Net Available Cash so affected will not be required to be applied in compliance with this covenant, so long, but only so long, as the applicable local law, will not permit repatriation to the United States (the Issuer hereby agreeing to use reasonable efforts (as determined in the Issuer's reasonable business judgment) to otherwise cause the applicable Foreign Subsidiary to within one year following the date on which the respective payment would otherwise have been required, promptly take all actions reasonably required by the applicable local law, applicable organizational impediments or other impediment to permit such repatriation), and if within one year following the date on which the respective payment would otherwise have been required, such repatriation of any of such affected Net Available Cash is permitted under the applicable local law, applicable organizational impediment or other impediment such Net Available Cash will be promptly (and in any event not later than five (5) Business Days after such repatriation could be made) applied (net of additional Taxes payable or reserved against as a result thereof) (whether or not repatriation actually occurs) in compliance with this covenant and (ii) to the extent that the Issuer has determined in good faith that repatriation of any of or all the Net Available Cash of any Foreign Disposition would have an adverse Tax consequence (which for the avoidance of doubt, includes, but is not limited to, any prepayment whereby doing so Holdings, the Issuer, any Restricted Subsidiary or any of their respective affiliates and/or equity owners would incur a tax liability, including a tax dividend, deemed dividend pursuant to Code Section 956 or a withholding tax), the Net Available Cash so affected will not be required to be applied in compliance with this covenant. The non-application of any prepayment amounts as a consequence of the foregoing provisions will not, for the avoidance of doubt, constitute a Default or an Event of Default.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness or other liabilities, contingent or otherwise, of the Issuer or a Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness or other liability in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Issuer (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of $250.0 million and 2.50% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

The provisions of the Indenture relative to the Issuer's obligation to make an offer to repurchase the Notes as a result of an Asset Disposition may be waived or modified with the written consent of the Holders of a majority in principal amount of the Notes then outstanding.

The Credit Agreement may prohibit or limit, and future credit agreements or other agreements to which the Issuer becomes a party may prohibit or limit, the Issuer from purchasing any Notes pursuant to this covenant. In the event the Issuer is prohibited from purchasing the Notes, the Issuer could seek the consent of its lenders to the purchase of the Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings, it will remain prohibited from purchasing the Notes. In such case, the Issuer's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (an "*Affiliate Transaction*") involving aggregate value in excess of $10.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of $20.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors, if any.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "—Limitation on Restricted Payments" or any Permitted Investment;

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long- term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors, in each case in the ordinary course of business or consistent with past practice;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) (a) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries and (b) any merger or consolidation with any Parent Entity; *provided* that such Parent Entity shall have no material liabilities and no material assets other than cash, Cash Equivalents and the Capital Stock of the Issuer and such merger or consolidation is otherwise permitted under the Indenture;

(5) the payment of compensation, fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, contractors, consultants, distributors or employees of the Issuer, any Parent Entity or any Restricted Subsidiary (whether directly or indirectly and including through any Controlled Investment Affiliate of such directors, officers, contractors, consultants, distributors or employees);

(6) the entry into and performance of obligations of the Issuer or any of the Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect (taken as a whole);

(7) any transaction effected as part of a Qualified Securitization Financing or Receivables Facility, any disposition or acquisition of Securitization Assets, Receivables Assets or related assets in connection with any Qualified Securitization Financing or Receivables Facility;

(8) transactions with customers, clients, joint venture partners, suppliers, contractors, distributors or purchasers or sellers of goods or services, in each case in the ordinary course of business or consistent with past practice, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction between or among the Issuer or any Restricted Subsidiary and any Person that is an Affiliate of the Issuer or an Associate or similar entity solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preferred Stock) of the Issuer or options, warrants or other rights to acquire such Capital Stock and the granting of registration and other customary rights (and the performance of the related obligations) in connection therewith or any contribution to capital of the Issuer or any Restricted Subsidiary;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly), including to its affiliates or its designees, of annual management, consulting, monitoring, refinancing, transaction, subsequent transaction exit fees, advisory fees and related costs and expenses and indemnitees in connection therewith and any termination fees (including any such cash lump sum or present value fee upon the consummation of a corporate event, including an initial public offering) and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments are approved in the case of each of clauses (a) and (b) by a majority of the Board of Directors of the Issuer in good faith;

(12) payment to any Permitted Holder of all out of pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;

(13) the Transactions and any Permitted Tax Restructuring and the payment of all costs and expenses (including all legal, accounting and other professional fees and expenses) related to the Transactions and any Permitted Tax Restructuring;

(14) transactions in which the Issuer or any Restricted Subsidiary, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (1) of the preceding paragraph;

(15) the existence of, or the performance by the Issuer or any Restricted Subsidiary of its obligations under the terms of, any equityholders agreement (including any registration rights agreement or purchase agreements related thereto) to which it is party as of the Issue Date and any similar agreement that it may enter into thereafter; *provided*, *however*, that the existence of, or the performance by the Issuer or any Restricted Subsidiary of its obligations under any future amendment to the equityholders'

agreement or under any similar agreement entered into after the Issue Date will only be permitted under this clause to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous to the Holders in any material respect;

(16) any purchases by the Issuer's Affiliates of Indebtedness or Disqualified Stock of the Issuer or any of its Restricted Subsidiaries the majority of which Indebtedness or Disqualified Stock is purchased by Persons who are not the Issuer's Affiliates; *provided* that such purchases by the Issuer's Affiliates are on the same terms as such purchases by such Persons who are not the Issuer's Affiliates;

(17) payments by the Issuer (and any Parent Entity) and its Restricted Subsidiaries pursuant to any tax sharing agreements or other equity agreements in respect of "Related Taxes" among the Issuer (and any such Parent Entity) and its Restricted Subsidiaries on customary terms to the extent attributable to the ownership or operation of the Issuer and its Subsidiaries;

(18) any Intercompany License Agreements;

(19) (i) investments by Affiliates in securities of the Issuer or any of the Restricted Subsidiaries (and payment of reasonable out-of-pocket expenses incurred by such Affiliates in connection therewith, so long as the investment is being offered by the Issuer or such Restricted Subsidiary generally to other non-affiliated third party investors on the same or more favorable terms and (ii) payments to Affiliates in respect of securities of the Issuer or any of the Restricted Subsidiaries contemplated in the foregoing clause (19)(i) or that were acquired from Persons other than the Issuer and its Restricted Subsidiaries, in each case, in accordance with the terms of such securities;

(20) any transition services arrangement, supply arrangement or similar arrangement entered into in connection with or in contemplation of the disposition of assets or Capital Stock in any Restricted Subsidiary permitted under "—Limitation on Sales of Assets and Subsidiary Stock" or entered into with any Business Successor, in each case, that the Issuer determines in good faith is either fair to the Issuer or otherwise on customary terms for such type of arrangements in connection with similar transactions;

(21) any lease entered into between the Issuer or any Restricted Subsidiary, as lessee, and any Affiliate of the Issuer, as lessor, which is approved by a majority of the Disinterested Directors; and

(22) payments to or from, and transactions with, any joint venture in the ordinary course of business or consistent with past practice (including any cash management activities related thereto).

Designation of Restricted and Unrestricted Subsidiaries

The Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause an Event of Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments" or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee an Officer's Certificate certifying that such designation complies with the preceding conditions and was permitted by the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under the caption "—Certain Covenants—Limitation on Indebtedness," the Issuer will be in default of such covenant.

The Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Issuer; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Issuer of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under "—Certain Covenants—Limitation on Indebtedness" calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation. Any such designation by the Issuer shall be evidenced to the Trustee by filing with the Trustee an Officer's Certificate certifying that such designation complies with the preceding conditions.

Reports

Whether or not required by the SEC, so long as any Notes are outstanding, if not filed electronically with the SEC through the SEC's Electronic Data Gathering, Analysis, and Retrieval System (or any successor system), from and after the Issue Date, the Issuer will furnish to the Trustee within 15 days after the time periods specified below:

(1) within 120 days after the end of each fiscal year, audited year-end consolidated financial statements of the Issuer and its Subsidiaries (including a balance sheet, statement of operations and statement of cash flow and a consolidating footnote) prepared in accordance with GAAP, including a "Management's discussion and analysis of financial condition and results of operations" and a report on the annual financial statements by the Issuer's independent registered public accounting firm;

(2) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, unaudited quarterly consolidated financial statements of the Issuer and its Subsidiaries, subject to normal year-end adjustments, including a "Management's discussion and analysis of financial condition and results of operations"; and

(3) promptly after the occurrence of any of the following events, all current reports that would be required to be filed with the SEC on Form 8-K if the Issuer were required to file such reports for any of the following events (*provided*, *however*, that no such current report will be required to be furnished if the Issuer determines in its good faith judgment that such event is not material to the holders of the Notes or the business, assets, operations, financial position or prospects of the Issuer and its Restricted Subsidiaries, taken as a whole; *provided further* that the foregoing shall not obligate the Issuer to make available copies of any agreements, financial statements or other items that would be required to be filed as exhibits to a current report on Form 8-K) except for (x) material Indebtedness and (y) historical and pro forma financial statements to the extent reasonably available:

   (a) the entry into or termination of material agreements;

   (b) significant acquisitions or dispositions;

   (c) the sale of equity securities;

   (d) bankruptcy;

   (e) cross-default under direct material financial obligations;

   (f) a change in the Issuer's certifying independent auditor;

   (g) the appointment or departure of directors or executive officers;

   (h) non-reliance on previously issued financial statements; and

   (i) change of control transactions.

For the avoidance of doubt, (a) such information will not be required to comply with Section 302 or Section 404 of the Sarbanes-Oxley Act of 2002, or related Items 307 and 308 of Regulation S-K promulgated by the SEC, (b) such information will not be required to contain the separate financial information for Guarantors as contemplated by Rule 3-10 of Regulation S-X or any financial statements of unconsolidated subsidiaries or 50% or less owned persons as contemplated by Rule 3-09 of Regulation S-X or any schedules required by Regulation S-X, or in each case any successor provisions and (c) such information shall not be required to comply with Regulation G under the Exchange Act or Item 10(e) of Regulation S-K with respect to any non-GAAP financial measures contained therein.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries, then the annual and quarterly financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

To the extent any such information is not so filed or furnished, as applicable, within the time periods specified above and such information is subsequently filed or furnished, as applicable, the Issuer will be deemed to have satisfied its obligations with respect thereto at such time and any Default with respect thereto shall be deemed to have been cured; *provided* that such cure shall not otherwise affect the rights of the Holders under Events of Default" if Holders of at least 30% in principal amount of the then total outstanding Notes have declared the principal, premium, if any, interest and any other monetary obligations on all the then outstanding Notes to be due and payable immediately and such declaration shall not have been rescinded or cancelled prior to such cure. In addition, to the extent not satisfied by the foregoing, the Issuer will agree that, for so long as any Notes are outstanding, it will furnish to Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Substantially concurrently with the furnishing of such information to the Trustee pursuant to the immediately preceding paragraph, the Issuer shall also post copies of such information required by the immediately preceding paragraph on a website (which may be nonpublic and may be maintained by the Issuer or a third party) to which access will be given to Holders, prospective investors in the Notes (which prospective investors shall be limited to "qualified institutional buyers" within the meaning of Rule 144A of the Securities Act or non-U.S. persons (as defined in Regulation S under the Securities Act) that certify their status as such to the reasonable satisfaction of the Issuer), and securities analysts and market making financial institutions that are reasonably satisfactory to the Issuer.

The Issuer will also hold quarterly conference calls for the Holders of the Notes to discuss financial information for the previous quarter. The conference call will be following the last day of each fiscal quarter of the Issuer and not later than 10 Business Days from the time that the Issuer distributes the financial information as set forth in the second preceding paragraph. No fewer than two days prior to the conference call, the Issuer will issue a press release announcing the time and date of such conference call and providing instructions for Holders, securities analysts and prospective investors to obtain access to such call.

In the event that any Parent Entity of the Issuer becomes a guarantor of the Notes, the Indenture will permit the Issuer to satisfy its obligations in this covenant with respect to financial information relating to the Issuer by furnishing financial information relating to such Parent Entity; *provided* that, to the extent required by Rule 3-10 of Regulation S-X promulgated by the SEC, the same is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to such Parent Entity, on the one hand, and the information relating to the Issuer and its Restricted Subsidiaries on a stand-alone basis, on the other hand.

Notwithstanding anything to the contrary set forth above, if the Issuer or any Parent Entity of the Issuer has furnished the Holders of Notes and filed with the SEC the reports described in the preceding paragraphs with respect to the Issuer or any Parent Entity (including any consolidated financial information required by Regulation S-X relating to the Issuer), the Issuer shall be deemed to be in compliance with the provisions of this covenant.

Limitation on Guarantees

The Issuer will not permit any of its Wholly Owned Domestic Subsidiaries that are Restricted Subsidiaries (and non-Wholly Owned Domestic Subsidiaries if such non-Wholly Owned Domestic Subsidiaries guarantee other capital markets debt securities of the Issuer or any Restricted Subsidiary or guarantee all or a portion of the Credit Agreement), other than a Guarantor, to Guarantee the payment of any capital markets debt securities or Indebtedness under the Credit Agreement, in each case of the Issuer or any Guarantor, unless:

(1) such Restricted Subsidiary within 30 days executes and delivers a supplemental indenture to the Indenture providing for a senior Guarantee by such Restricted Subsidiary, except that with respect to a guarantee of Indebtedness of the Issuer or any Guarantor, if such Indebtedness is by its express terms subordinated in right of payment to the Notes or such Guarantor's Note Guarantee, any such guarantee by such Restricted Subsidiary with respect to such Indebtedness shall be subordinated in right of payment to such Guarantee substantially to the same extent as such Indebtedness is subordinated to the Notes or such Guarantor's Note Guarantee; and

(2) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee until payment in full of Obligations under the Indenture.

provided that this covenant shall not be applicable (i) to any guarantee of any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary, or (ii) in the event that the Guarantee of the Issuer's obligations under the Notes or the Indenture by such Subsidiary would not be permitted under applicable law.

The Issuer may elect, in its sole discretion, to cause or allow, as the case may be, any Subsidiary or any of its Parent Entities that is not otherwise required to be a Guarantor to become a Guarantor, in which case, such Subsidiary or Parent Entity shall not be required to comply with the 30-day period described above and such Guarantee may be released at any time in the Issuer's sole discretion so long as any Indebtedness of such Subsidiary then outstanding could have been incurred by such Subsidiary (either (x) when so incurred or (y) at the time of the release of such Guarantee) assuming such Subsidiary were not a Guarantor at such time.

If any Guarantor becomes an Immaterial Subsidiary, the Issuer shall have the right, by execution and delivery of a supplemental indenture to the Trustee, to cause such Immaterial Subsidiary to cease to be a Guarantor, subject to the requirement described in the first paragraph above that such Subsidiary shall be required to become a Guarantor if it ceases to be an Immaterial Subsidiary (except that if such Subsidiary has been properly designated as an Unrestricted Subsidiary it shall not be so required to become a Guarantor or execute a supplemental indenture); *provided*, *further*, that such Immaterial Subsidiary shall not be permitted to Guarantee the Credit Agreement or capital markets debt securities of the Issuer or the other Guarantors, unless it again becomes a Guarantor.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into or convey transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of the United States of America, any State of the United States or the District of

Columbia and the Successor Company (if not the Issuer) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, all the obligations of the Issuer under the Notes and the Indenture, and if such Successor Company is not a corporation, a co-obligor of the Notes is a corporation organized or existing under such laws;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the applicable Successor Company or any Subsidiary of the applicable Successor Company as a result of such transaction as having been Incurred by the applicable Successor Company or such Subsidiary at the time of such transaction), no Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the applicable Successor Company would be able to Incur at least an additional $1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—Limitation on Indebtedness" or (b) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) is a legal and binding agreement enforceable against the Successor Company, *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (2) and (3) above.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Notes and the Indenture.

Notwithstanding the preceding clauses (2), (3) and (4) (which do not apply to transactions referred to in this sentence), (a) the Issuer may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Guarantor, (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer or a Guarantor and (c) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (d) the Issuer and its Restricted Subsidiaries may complete any Permitted Tax Restructuring. Notwithstanding the preceding clauses (2) and (3) (which do not apply to the transactions referred to in this sentence), (a) the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer and (b) the Issuer may effect any Permitted Tax Restructuring.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of this section) shall not apply to the creation of a new Subsidiary as a Restricted Subsidiary of the Issuer.

Guarantors

No Guarantor may:

(1) consolidate with or merge with or into any Person, or

(2) sell, convey, transfer or dispose of, all or substantially all its assets, in one transaction or a series of related transactions, to any Person, or

(3) permit any Person to merge with or into such Guarantor,

unless

(A) the other Person is the Issuer or any Restricted Subsidiary that is Guarantor or becomes a Guarantor concurrently with the transaction; or

(B) (1)either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Indenture; and (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture; or

(D) the transaction constitutes a Permitted Tax Restructuring.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Events of Default

Each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest, if any, on any Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or all Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in principal amount of the outstanding Notes with any agreement or obligation contained in the Indenture; *provided* that in the case of a failure to comply with the Indenture provisions described under "Reports," such period of continuance of such default or breach shall be 270 days after written notice described in this clause (3) has been given;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:

(a) is caused by a failure to pay principal of such Indebtedness, at its stated final maturity (after giving effect to any applicable grace periods) provided in such Indebtedness ("*payment default*"); or

(b) results in the acceleration of such Indebtedness prior to its stated final maturity (the "*cross acceleration provision*");

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates $75.0 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary (or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries) would constitute a Significant Subsidiary) (the "*bankruptcy provisions*");

(6) failure to pay final judgments aggregating in excess of $75.0 million other than any judgments covered by indemnities provided by, or insurance policies issued by, reputable and creditworthy companies, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed (the "*judgment default provision*"); and

(7) any Guarantee of the Notes ceases to be in full force and effect, other than in accordance with the terms of the Indenture, or a Guarantor denies or disaffirms its obligations under its Guarantee of the Notes, other than in accordance with the terms thereof or upon release of such Note Guarantee in accordance with the Indenture.

However, a Default under clause (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% in principal amount of the outstanding Notes notify the Issuer of the Default and, with respect to clause (6), the Issuer does not cure such Default within the time specified in clause (6) of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above with respect to the Issuer) occurs and is continuing, the Trustee by written notice to the Issuer or the Holders of at least 30% in principal amount of the outstanding Notes by written notice to the Issuer and the Trustee may declare the principal of and accrued and unpaid interest, if any, on all the Notes to be due and payable. Upon such a declaration, such principal and accrued and unpaid interest, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, in each case, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above with respect to the Issuer occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium or interest) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The Indenture will provide that (i) if a Default for a failure to report or failure to deliver a required certificate in connection with another default (the "*Initial Default*") occurs, then at the time such Initial Default is cured, such Default for a failure to report or failure to deliver a required certificate in connection with another default that resulted solely because of that Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "—Certain Covenants—Reports" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or such notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 30% in principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered in writing and, if requested, provided to the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it against all fees, losses, liabilities and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes). However an amendment or waiver may not, with respect to any such Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Notes whose Holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Note (other than provisions relating to Change of Control and Asset Dispositions);

(3) reduce the principal of or extend the Stated Maturity of any such Note (other than provisions relating to Change of Control and Asset Dispositions);

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "—Optional Redemption";

(5) make any such Note payable in currency other than that stated in such Note;

(6) impair the right of any Holder to institute suit for the enforcement of any payment of principal of and interest on such Holder's Notes on or after the due dates therefor;

(7) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(8) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

(1) cure any ambiguity, omission, mistake, defect, error or inconsistency, conform any provision to this "Description of Notes," or reduce the minimum denomination of the Notes;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or a Guarantor under any Note Document;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes;

(4) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(5) make any change (including changing the CUSIP or other identifying number on any Notes) that does not adversely affect the rights of any Holder in any material respect;

(6) at the Issuer's election, comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act, if such qualification is required;

(7) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes;

(8) provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the Covenant described under "—Certain Covenants—Limitation on Indebtedness," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture;

(9) evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee or other agent pursuant to the requirements thereof or to provide for the accession by the Trustee or other agent to any Note Document; or

(10) make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including to facilitate the issuance and administration of Notes; *provided*, *however*, that (i) compliance with the Indenture as so amended would not result in Notes being transferred in violation of the Securities Act or any applicable securities law and (ii) such amendment does not adversely affect the rights of Holders to transfer Notes in any material respect.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registrations of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust.

The Issuer at any time may terminate the obligations of the Issuer and the Restricted Subsidiaries under the covenants described under "—Certain Covenants" (other than clauses (1) and (2) of "—Certain Covenants—Merger and Consolidation"—The Issuer) and "—Change of Control" and the default provisions relating to such covenants described under "—Events of Default" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision described under "—Events of Default" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3), (4), (5) (with respect only to Significant Subsidiaries), (6) or (7) under "—Events of Default" above.

In order to exercise either defeasance option, the Issuer (i) must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee or Paying Agent (or other such entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee acting for the Trustee for such purpose) cash in Euros or European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be; *provided*, that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee or Paying Agent (or other such entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee acting for the Trustee for such purpose) equal to the Applicable Premium calculated as of the date of the notice of redemption, with any deficit as of the date of redemption (any such amount, the "***Applicable Premium Deficit***") only required to be deposited with the Trustee or Paying Agent (or other such entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee acting for the Trustee for such purpose) on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee two Business Days prior to the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption, and (ii) must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel, subject to customary assumptions and exclusions, to the effect that Holders, in their capacity as Holders of the Notes, will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law since the issuance of the Notes);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer; and

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Indenture will be discharged and cease to be of further effect (except as to surviving rights of transfer or exchange of the Notes and indemnification rights of the Trustee, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to Elavon Financial Services DAC (the "*Registrar*") for cancellation; or (b) all Notes not previously delivered to the Registrar for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Paying Agent for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee or Paying Agent (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee acting for the Trustee for such purpose), money in euro or European Government Obligations, or a combination thereof, as applicable, in the case of Notes, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Registrar for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; *provided* that upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Indenture to the extent that an amount is deposited with the Trustee or Paying Agent (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee acting for the Trustee for such purpose) equal to the Applicable Premium calculated as of the date of the notice of redemption, with any Applicable Premium Deficit only required to be deposited with the Trustee or Paying Agent (or such other entity directed, designated or appointed by the Issuer and reasonably acceptable to the Trustee acting for the Trustee for such purpose) on or prior to the date of redemption, and any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee two Business Days prior to the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; and (4) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each stating that all conditions precedent under the "—Satisfaction and Discharge" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee

Wilmington Trust, National Association is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in such Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture sets out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet certain minimum limits regarding the aggregate of its capital and surplus or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes, fees and expenses incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

If and for so long as the Notes are listed on the Official List of the TISE and if and to the extent that the rules of the TISE so require, notices of the Issuer with respect to the Notes will be sent to the TISE.

All notices to Holders of Notes will be validly given if electronically delivered or mailed to them at their respective addresses in the register of the Holders of the Notes, if any, maintained by the registrar. For so long as any Notes are represented by global notes, all notices to Holders of the Notes will be delivered to the common depositary of Euroclear or Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, which will give such notices to the Holders of book-entry interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the earlier of such publication and the fifth day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to electronically deliver or mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is electronically delivered or mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

Governing Law

The Indenture and the Notes, including any Note Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates, amalgamates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Additional Assets*" means:

(1) any property or assets (other than Capital Stock) used or to be used by the Issuer, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary of the Issuer; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Issuer.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Applicable Premium*" means the greater of (A) 1.0% of the principal amount of such Note and (B) on any redemption date, the excess (to the extent positive) of:

(a) the present value at such redemption date of (i) the redemption price of such Note at , 2019 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "—Optional Redemption" (excluding accrued but unpaid interest, if any)), plus (ii) all required interest payments due on such Note to and including such date set forth in clause (i) (excluding accrued but unpaid interest, if any), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(b) the outstanding principal amount of such Note;

in each case, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. The Trustee shall have no duty to calculate or verify the calculations of the Applicable Premium.

"*Asset Disposition*" means:

(a) the voluntary sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions, of property or assets (including by way of a Sale and Leaseback Transaction) of the Issuer or any of its Restricted Subsidiaries (in each case other than Capital Stock of the Issuer) (each referred to in this definition as a "*disposition*"); or

(b) the issuance or sale of Capital Stock of any Restricted Subsidiary (other than Preferred Stock or Disqualified Stock of Restricted Subsidiaries issued in compliance with the covenant described under

"—Certain Covenants—Limitation on Indebtedness" or directors' qualifying shares and shares issued to foreign nationals as required under applicable law), whether in a single transaction or a series of related transactions;

in each case, other than:

(1) a disposition by the Issuer or a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary, including pursuant to any Intercompany License Agreement;

(2) a disposition of cash, Cash Equivalents or Investment Grade Securities;

(3) a disposition of inventory or other assets in the ordinary course of business or consistent with past practice (including allowing any registrations or any applications for registrations of any intellectual property rights to lapse or go abandoned in the ordinary course of business or consistent with past practice);

(4) a disposition of obsolete, worn-out, uneconomic, damaged or surplus property, equipment or other assets or property, equipment or other assets that are no longer economically practical or commercially desirable to maintain or used or useful in the business of the Issuer and its Restricted Subsidiaries whether now or hereafter owned or leased or acquired in connection with an acquisition or used or useful in the conduct of the business of the Issuer and its Restricted Subsidiaries (including by ceasing to enforce, allowing the lapse, abandonment or invalidation of or discontinuing the use or maintenance of or putting into the public domain any intellectual property that is, in the reasonable judgment of the Issuer or the Restricted Subsidiaries, no longer used or useful, or economically practicable to maintain, or in respect of which the Issuer or any Restricted Subsidiary determines in its reasonable judgment that such action or inaction is desirable);

(5) transactions permitted under "—Certain Covenants—Merger and Consolidation" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) of less than $25.0 million;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "—Certain Covenants—Limitation on Restricted Payments" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (3) of the first paragraph under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock," asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) dispositions in connection with Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or consistent with past practice or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) conveyances, sales, transfers, licenses or sublicenses or other dispositions of intellectual property, software or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business or consistent with past practice or pursuant to a research or development agreement in which the counterparty to such agreement receives a license in the intellectual property or software that result from such agreement;

(12) the lease, assignment, license, sublease or sublicense of any real or personal property in the ordinary course of business;

(13) foreclosure, condemnation or any similar action with respect to any property or other assets;

(14) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business or consistent with past practice, or the conversion or exchange of accounts receivable for notes receivable;

(15) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) (i) dispositions of property to the extent that such property is exchanged for credit against the purchase price of similar replacement property that is promptly purchased, (ii) dispositions of property to the extent that the proceeds of such disposition are promptly applied to the purchase price of such replacement property (which replacement property is actually promptly purchased) and (iii) to the extent allowable under Section 1031 of the Code, any exchange of like property (excluding any boot thereon) for use in a Similar Business;

(18) any disposition of Securitization Assets or Receivables Assets, or participations therein, in connection with any Qualified Securitization Financing or Receivables Facility, or the disposition of an account receivable in connection with the collection or compromise thereof in the ordinary course of business or consistent with past practice;

(19) any financing transaction with respect to property constructed, acquired, replaced, repaired or improved (including any reconstruction, refurbishment, renovation and/or development of real property) by the Issuer or any Restricted Subsidiary after the Issue Date, including Sale and Leaseback Transactions and asset securitizations, permitted by the Indenture;

(20) dispositions of Investments in joint ventures or similar entities to the extent required by, or made pursuant to customary buy/sell arrangements between, the parties to such joint venture set forth in joint venture arrangements and similar binding arrangements;

(21) any surrender or waiver of contractual rights or the settlement, release, surrender or waiver of contractual, tort, litigation or other claims of any kind;

(22) the unwinding of any Cash Management Services or Hedging Obligations;

(23) any sales, transfers, leases and other dispositions made in order to effect the Transactions or any Permitted Tax Restructuring;

(24) samples, including time-limited evaluation software, provided to customers or prospective customers;

(25) other dispositions (including those of the type otherwise described herein) made after the Issue Date in an aggregate amount not to exceed the greater of (x) $25.0 million and (y) 2.50% of LTM EBITDA; and

(26) any dispositions in connection with Permitted Sale and Leasebacks in an aggregate principal amount not to exceed $200.0 million at any time.

In the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under "—Certain Covenants—Limitation on Restricted Payments," the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or a portion thereof) as an Asset Disposition and/or one or more of the types of Permitted Investments or Investments permitted under "—Certain Covenants—Limitation on Restricted Payments."

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary of the Issuer.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner, as applicable, of the partnership or any duly authorized committee thereof; (3) with respect to a limited liability company, the managing member or members or any duly authorized controlling committee thereof; and (4) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). Unless the context requires otherwise, Board of Directors means the Board of Directors of the Issuer.

"*Bund Rate*" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "*Comparable German Bund Issue*" means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to , 2019, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to , 2019; *provided*, *however*, that, if the period from such redemption date to , 2019, is less than one year, a fixed maturity of one year shall be used;

(2) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "*Reference German Bund Dealer*" means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and

(4) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m., Frankfurt, Germany time, on the third Business Day preceding the relevant date;

provided, however, that in no case for any purposes under the Indenture shall the Bund Rate be less than 0.00%.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York, United States, London, United Kingdom, or the jurisdiction of the place of payment are authorized or required by law to close.

"*Business Successor*" means (i) any former Subsidiary of the Issuer and (ii) any Person that, after the Issue Date, has acquired, merged or consolidated with a Subsidiary of the Issuer (that results in such Subsidiary ceasing to be a Subsidiary of the Issuer), or acquired (in one transaction or a series of transactions) all or substantially all of the property and assets or business of a Subsidiary or assets constituting a business unit, line of business or division of a Subsidiary of the Issuer.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase or acquire, warrants, options or depositary receipts for, or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into, or exchangeable for, such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of GAAP. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Capitalized Software Expenditures*" shall mean, for any period, the aggregate of all expenditures (whether paid in cash or accrued as liabilities) by a Person and its Restricted Subsidiaries during such period in respect of purchased software or internally developed software and software enhancements that, in conformity with GAAP, are or are required to be reflected as capitalized costs on the consolidated balance sheet of a Person and its Restricted Subsidiaries.

"*Cash Equivalents*" means:

(1) (i) U.S. dollars, United Kingdom pounds, Euro, or any national currency of any member state of the European Union; or (ii) any other foreign currency held by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business;

(2) securities issued or directly and fully Guaranteed or insured by the United States, Canadian or United Kingdom governments, a member state of the European Union or, in each case, any agency or instrumentality thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by (x) any lender or affiliate thereof or (y) by any bank or trust company (i) whose commercial paper is rated at least "A-2" or the equivalent thereof by S&P or at least "P-2" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (ii) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of $100 million;

(4) repurchase obligations for underlying securities of the types described in clauses (2) and (3) entered into with any Person referenced in clause (3) above;

(5) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any Person referenced in clause (3);

(6) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(7) readily marketable direct obligations issued by any state, commonwealth or territory of the United States of America, any province of Canada, the United Kingdom, any member of the European Union, any other foreign government or any political subdivision or taxing authority thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(8) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(9) bills of exchange issued in the United States, Canada, a member state of the European Union or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(10) interests in any investment company, money market or enhanced high yield fund which invests at least 90% of its assets in instruments of the type specified in clauses (1) through (9) above;

(11) instruments and investments of the type and maturity described in clause (1) through (10) denominated in any foreign currency or of foreign obligors, which investments or obligors are, in the reasonable judgment of the Issuer, comparable in investment quality to those referred to above;

(12) the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Escrow Release Date; and

(13) solely with respect to any Restricted Subsidiary that is a Foreign Subsidiary, investments of comparable tenor and credit quality to those described in the foregoing clauses (2) through (12) customarily utilized in countries in which such Foreign Subsidiary operates for short term cash management purposes.

In the case of Investments by any Foreign Subsidiary that is a Restricted Subsidiary or Investments made in a country outside the United States of America, Cash Equivalents shall also include (a) investments of the type and maturity described in clauses (1) through (13) above of foreign obligors, which Investments or obligors (or the parents of such obligors) have ratings described in such clauses or equivalent ratings from comparable foreign rating agencies and (b) other short-term investments utilized by Foreign Subsidiaries that are Restricted Subsidiaries in accordance with normal investment practices for cash management in investments analogous to the foregoing investments in clauses (1) through (13) and in this paragraph. Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clause (1) above, *provided* that such amounts are converted into any currency listed in clause (1) as promptly as practicable and in any event within 10 Business Days following the receipt of such amounts. For the avoidance of doubt, any items identified as Cash Equivalents under this definition (other than clause (19) above) will be deemed to be Cash Equivalents for all purposes under the Indenture regardless of the treatment of such items under GAAP.

"*Cash Management Services*" means any one or more of the following types of services or facilities, including, without limitation, (a) ACH transactions, (b) cash management services, including controlled disbursement services, treasury, depository, overdraft, credit or debit card, stored value card, electronic funds transfer services, and (c) foreign exchange facilities or other cash management arrangements in the ordinary course of business. For the avoidance of doubt, Cash Management Services do not include Hedging Obligations.

"*Change of Control*" means:

(1) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such

terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders or a Parent Entity, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date) of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that (x) so long as the Issuer is a Subsidiary of any Parent Entity, no Person shall be deemed to be or become a beneficial owner of more than 50% of the total voting power of the Voting Stock of the Issuer unless such Person shall be or become a beneficial owner of more than 50% of the total voting power of the Voting Stock of such Parent Entity (other than a Parent Entity that is a Subsidiary of another Parent) and (y) any Voting Stock of which any Permitted Holder is the beneficial owner shall not in any case be included in any Voting Stock of which any such Person is the beneficial owner; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, to a Person (other than the Issuer or any of its Restricted Subsidiaries or one or more Permitted Holders) and any "person" or "group" of related persons (as defined in clause (1) above), other than one or more Permitted Holders or any Parent Entity, is or becomes the "beneficial owner" (as so defined) of more than 50% of the total voting power of the Voting Stock of the transferee Person in such sale or transfer of assets, as the case may be; *provided* that (x) so long as the Issuer is a Subsidiary of any Parent Entity, no Person shall be deemed to be or become a beneficial owner of more than 50% of the total voting power of the Voting Stock of the Issuer unless such Person shall be or become a beneficial owner of more than 50% of the total voting power of the Voting Stock of such Parent Entity (other than a Parent Entity that is a Subsidiary of another Parent) and (y) any Voting Stock of which any Permitted Holder is the beneficial owner shall not in any case be included in any Voting Stock of which any such Person is the beneficial owner.

Notwithstanding the preceding or any provision of Section 13d-3 of the Exchange Act, (i) a Person or group shall not be deemed to beneficially own Voting Stock subject to a stock or asset purchase agreement, merger agreement, option agreement, warrant agreement or similar agreement (or voting or option or similar agreement related thereto) until the consummation of the acquisition of the Voting Stock in connection with the transactions contemplated by such agreement, (ii) a Person or group will not be deemed to beneficially own the Voting Stock of another Person as a result of its ownership of Voting Stock or other securities of such other Person's parent entity (or related contractual rights) unless it owns 50% or more of the total voting power of the Voting Stock entitled to vote for the election of directors of such parent entity having a majority of the aggregate votes on the board of directors (or similar body) of such parent entity and (iii) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock will not cause a party to be a beneficial owner.

"*Clearstream*" means Clearstream Banking, *société anonyme*, or any successor securities clearing agency.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Consolidated Depreciation and Amortization Expense*" means, with respect to any Person for any period, the total amount of depreciation and amortization expense, including amortization or write-off of (i) intangibles and non-cash organization costs, (ii) deferred financing fees or costs and (iii) Capitalized Software Expenditures or costs, capitalized expenditures, customer acquisition costs and incentive payments, conversion costs and contract acquisition costs, the amortization of original issue discount resulting from the issuance of Indebtedness at less than par and amortization of favorable or unfavorable lease assets or liabilities, of such Person and its Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with GAAP and any write down of assets or asset value carried on the balance sheet.

"*Consolidated EBITDA*" means, with respect to any Person for any period, the Consolidated Net Income for such period:

(1) increased (without duplication) by:

(a) provision for taxes based on income or profits, or capital, including, without limitation, federal, state, provincial, territorial, local, foreign, unitary, excise, property, franchise and similar taxes and foreign withholding and similar taxes (including any penalties and interest) of such Person paid or accrued during such period, deducted (and not added back) in computing Consolidated Net Income; *plus*

(b) Fixed Charges of such Person for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities, plus amounts excluded from the definition of "Consolidated Interest Expense" pursuant to clauses (s) through (z) in clause (1) thereof), to the extent the same were deducted (and not added back) in calculating such Consolidated Net Income; *plus*

(c) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*

(d) (x) Transaction Expenses and (y) any fees, costs, expenses or charges (other than Consolidated Depreciation and Amortization Expense) related to any actual, proposed or contemplated issuance or registration (actual or proposed) of an Equity Offering (including any one-time expense relating to enhanced accounting functions or other transactions costs associated with becoming a public company or any Investment, acquisition, disposition, recapitalization, Restricted Payment or the incurrence or registration (actual or proposed) of Indebtedness (including a refinancing thereof) (in each case, whether or not consummated or successful), including (i) such fees, expenses or charges (including rating agency fees and related expenses) related to the offering of the Notes, Existing Notes, the Credit Agreement or any other Credit Facilities and any Securitization Fees, and (ii) any amendment, waiver or other modification of the Notes, Existing Notes, the Credit Agreement, Receivables Facilities, Securitization Facilities, or any other Credit Facilities, any Securitization Fees, any other Indebtedness or any Equity Offering, in each case, whether or not consummated, to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*

(e) (i) the amount of any restructuring charge, accrual or reserve (and adjustments to existing reserves), integration cost or other business optimization expense or cost (including charges directly related to the implementation of cost-savings initiatives) that is deducted (and not added back) in such period in computing Consolidated Net Income, including, without limitation, including those related to any severance, retention, signing bonuses, relocation, recruiting and other employee related costs, future lease commitments and costs related to the opening and closure and/or consolidation of facilities; *plus*

(f) any other non-cash charges, write-downs, expenses, losses or items reducing Consolidated Net Income for such period including any impairment charges or the impact of purchase accounting (*provided* that if and to the extent any such non-cash charge, write-down or item represents an accrual or reserve for a cash expenditure for a future period, then the cash payment in such future period shall be subtracted from Consolidated EBITDA when paid or other items classified by the Issuer as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period); *plus*

(g) the amount of management, monitoring, advisory, consulting, refinancing, subsequent transaction, advisory and exit fees (including termination fees) and related indemnities and expenses paid or accrued in such period to the Initial Investors or any member of the Board of Directors of the

Issuer, any Permitted Holder or any Affiliate of a Permitted Holder to the extent permitted under "—Certain Covenants—Limitation on Affiliate Transactions"; *plus*

(h) the amount of "run rate" cost savings, operating expense reductions, other operating improvements and initiatives and synergies projected by the Issuer in good faith to be reasonably anticipated to be realizable or a plan for realization shall have been established within eighteen (18) months of the date thereof (which will be added to Consolidated EBITDA as so projected until fully realized and calculated on a pro forma basis as though such cost savings, operating expense reductions, other operating improvements and initiatives and synergies had been realized on the first day of such period), net of the amount of actual benefits realized prior to or during such period from such actions; *provided* that, to the extent any such operational changes are not associated with the Transactions or a Specified Transaction, all steps have been taken, for realizing such cost savings and such cost savings are reasonably identifiable and factually supportable (in the good faith determination of the Issuer); *plus*

(i) the amount of loss or discount on sale of Securitization Assets, Receivables Assets and related assets in connection with a Qualified Securitization Financing or Receivables Facility; *plus*

(j) any costs or expense incurred by the Issuer or any Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement, or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Issuer or Net Cash Proceeds of an issuance of Capital Stock (other than Disqualified Stock) of the Issuer solely to the extent that such Net Cash Proceeds are excluded from the calculation set forth under clause (c) of the first paragraph under "—Certain Covenants—Limitation on Restricted Payments"; *plus*

(k) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to clause (2) below for any previous period and not added back; *plus*

(l) any net loss included in the consolidated financial statements due to the application of Financial Accounting Standards No. 160 "Non-controlling Interests in Consolidated Financial Statements" ("FAS 160") (Accounting Standards Codification Topic 810); *plus*

(m) realized foreign exchange losses resulting from the impact of foreign currency changes; *plus*

(n) net realized losses from Hedging Obligations or embedded derivatives that require similar accounting treatment and the application of Accounting Standard Codification Topic 815 and related pronouncements; *plus*

(o) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary deducted in calculating Consolidated Net Income (and not added back in such period to Consolidated Net Income); *plus*

(p) costs related to the implementation of operational and reporting systems and technology initiatives; *plus*

(q) adjustments of the nature used in connection with the calculation of "Adjusted EBITDA" as set forth in footnote (3) of "Summary—Summary Historical Consolidated Financial and Other Data" contained in the offering circular applied in good faith by the Issuer to the extent such adjustments continue to be applicable during the period in which Consolidated EBITDA is being calculated; and

(2) decreased (without duplication) by:

(a) non-cash gains increasing Consolidated Net Income of such Person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period and any non-cash gains with respect to cash actually received in a prior period so long as such cash did not increase Consolidated EBITDA in such prior period; plus

(b) realized foreign exchange income or gains resulting from the impact of foreign currency changes on the valuation of assets or liabilities on the balance sheet of the Issuer and its Restricted Subsidiaries; plus

(c) any net realized income or gains from Hedging Obligations or embedded derivatives that require similar accounting treatment and the application of Accounting Standard Codification Topic 815 and related pronouncements; plus

(d) any net income included in the consolidated financial statements due to the application of FAS 160 (Accounting Standards Codification Topic 810); plus

(e) all cash payments made during such period to the extent made on account of non-cash reserves and other non-cash charges added back to Consolidated Net Income pursuant to clause (f) above in a previous period (it being understood that this clause (2) shall not be utilized in reversing any non-cash reserve or charge added to Consolidated Net Income); plus

(f) the amount of any minority interest income consisting of Subsidiary loss attributable to minority equity interests of third parties in any non-wholly owned Subsidiary added to Consolidated Net Income (and not deducted in such period from Consolidated Net Income); plus

(3) increased or decreased (without duplication) by, as applicable, any adjustments resulting from the application of Accounting Standards Codification Topic 460 or any comparable regulation.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, without duplication, the sum of:

(1) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (including (a) amortization of original issue discount or premium resulting from the issuance of Indebtedness at less than par, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances or any similar facilities or financing and hedging agreements, (c) non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of any Hedging Obligations or other derivative instruments pursuant to GAAP), (d) the interest component of Capitalized Lease Obligations, and (e) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness, and excluding (s) Securitization Fees, (t) penalties and interest relating to taxes, (u) any additional cash interest owing pursuant to any registration rights agreement, (v) accretion or accrual of discounted liabilities other than Indebtedness, (w) any expense resulting from the discounting of any Indebtedness in connection with the application of recapitalization accounting or purchase accounting in connection with the Transactions or any acquisition, (x) amortization or write-off of deferred financing fees, debt issuance costs, debt discount or premium, terminated hedging obligations and other commissions, financing fees and expenses and original issue discount with respect to Indebtedness borrowed under the Credit Agreement and, adjusted to the extent included, to exclude any refunds or similar credits received in connection with the purchasing or procurement of goods or services under any purchasing card or similar program, (y) any expensing of bridge, commitment and other financing fees and (z) interest with respect to Indebtedness of any parent of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under GAAP); *plus*

(2) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued; *less*

(3) interest income for such period.

For purposes of this definition, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP.

"*Consolidated Net Income*" means, with respect to any Person for any period, the net income (loss) of such Person and its Restricted Subsidiaries for such period determined on a consolidated basis on the basis of GAAP before any reduction in respect of Preferred Stock dividends; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary (including any net income (loss) from investments recorded in such Person under the equity method of accounting), except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that (as reasonably determined by an Officer of the Issuer) could have been distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments," any net income (loss) of any Restricted Subsidiary (other than the Issuer and the Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary's articles, charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Credit Agreement, the Notes or the Indenture and (c) restrictions specified in clause (14)(i) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries"), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized upon the sale or other disposition of any asset (including pursuant to any Sale and Leaseback Transaction) or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any Sale and Leaseback Transaction which is not sold or otherwise disposed of in the ordinary course of business) (in each case as determined in good faith by the Issuer);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense (including Transaction Expenses or any charges, expenses or reserves in respect of any restructuring, redundancy or severance expense or relocation costs, one-time compensation charges, integration and facilities' opening costs and other business optimization expenses and operating improvements (including related to new product introductions), systems development and establishment costs, accruals or reserves (including restructuring and integration costs related to acquisitions after the Issue Date and adjustments to existing reserves), whether or not classified as restructuring expense on the consolidated financial statements, signing costs, retention or completion bonuses, transition costs, costs related to closure/consolidation of facilities, internal costs in respect of strategic initiatives and curtailments or modifications to pension and post-retirement employee benefit plans (including any settlement of pension liabilities), contract terminations and professional and consulting fees incurred with any of the foregoing);

(5) the cumulative effect of a change in accounting principles, including any impact resulting from an election by the Issuer to apply IFRS at any time following the Issue Date;

(6) any (i) non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions or on the re-valuation of any benefit plan obligation and (ii) income (loss) attributable to deferred compensation plans or trusts;

(7) all deferred financing costs written off or amortized and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of any Hedging Obligations or any ineffectiveness recognized in earnings related to hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of obligations of any Person denominated in a currency other than the functional currency of such Person, including those related to currency remeasurements of Indebtedness (including any net loss or gain resulting from Hedging Obligations for currency exchange risk) or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary and any unrealized or realized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any recapitalization accounting or purchase accounting effects, including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by GAAP and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition (including the Transactions), or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(12) any impairment charge, write-off or write-down, including impairment charges, write-offs or write-downs related to intangible assets, long-lived assets, goodwill, investments in debt or equity securities (including any losses with respect to the foregoing in bankruptcy, insolvency or similar proceedings) and the amortization of intangibles arising pursuant to GAAP;

(13) any after tax effect of income (loss) from the early extinguishment or cancellation of Indebtedness or any Hedging Obligations or other derivative instruments;

(14) accruals and reserves that are established or adjusted (including any adjustment of estimated payouts on existing earn-outs) that are so required to be established as a result of the Transactions in accordance with GAAP;

(15) any net unrealized gains and losses resulting from Hedging Obligations or embedded derivatives that require similar accounting treatment and the application of Accounting Standards Codification Topic 815 and related pronouncements;

(16) cash and non-cash charges, paid or accrued, and gains resulting from the application of Financial Accounting Standards No. 141R (Accounting Standards Codification Topic 805) (including with respect to earn-outs incurred by the Issuer or any of its Restricted Subsidiaries);

(17) proceeds from any business interruption insurance to the extent not already included in Consolidated Net Income;

(18) rental payments under Synthetic Leases; and

(19) the amount of any expense to the extent a corresponding amount is received in cash by the Issuer and the Restricted Subsidiaries from a Person other than the Issuer or any Restricted Subsidiaries, provided such payment has not been included in determining Consolidated Net Income (it being understood that if the amounts received in cash under any such agreement in any period exceed the amount of expense in respect of such period, such excess amounts received may be carried forward and applied against expense in future periods.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall exclude (i) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any investment or any sale, conveyance, transfer or other disposition of assets permitted hereunder, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed and only to the extent that such amount is (A) not denied by the applicable payor in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days) and (ii) to the extent covered by insurance (including business interruption insurance) and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (A) not denied by the applicable carrier in writing within 180 days and (B) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption.

"*Consolidated Total Indebtedness*" means, as of any date of determination, (a) the aggregate principal amount of Indebtedness for borrowed money (other than Indebtedness with respect to Cash Management Services and intercompany Indebtedness), plus (b) the aggregate principal amount of Capitalized Lease Obligations, Purchase Money Obligations and unreimbursed drawings under letters of credit of the Issuer and its Restricted Subsidiaries outstanding on such date, minus (c) the aggregate amount of cash and Cash Equivalents included in the consolidated balance sheet of the Issuer and its Restricted Subsidiaries as of the end of the most recent fiscal period for which consolidated financial statements of the Issuer are available (which may be internal consolidated financial statements) (*provided* that the cash proceeds of any proposed Incurrence of Indebtedness shall not be included in this clause (c) for purposes of calculating the Consolidated Total Leverage Ratio or the Consolidated Total Secured Leverage Ratio, as applicable), with such pro forma adjustments as are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio." For the avoidance of doubt, Consolidated Total Indebtedness shall exclude Indebtedness in respect of any Receivables Facility or Securitization Facility.

"*Consolidated Total Leverage Ratio*" means, as of any date of determination, the ratio of (x) the sum of (a) Consolidated Total Indebtedness as of such date and (b) the Reserved Indebtedness Amount as of such date to (y) LTM EBITDA.

"*Consolidated Total Secured Leverage Ratio*" means, as of any date of determination, the ratio of (x) the sum of (a) Consolidated Total Indebtedness secured by a Lien as of such date (solely for purposes of calculating the Consolidated Total Secured Leverage Ratio in connection with determining the availability of Retained Asset Sale Proceeds, Consolidated Total Indebtedness that is not subordinated in right of payment to and secured by a Lien ranking *pari passu* with the Credit Agreement) and (b) the Reserved Indebtedness Amount intended to become secured by a Lien (y) LTM EBITDA.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Controlled Investment Affiliate*" means, as to any Person, any other Person, which directly or indirectly is in control of, is controlled by, or is under common control with such Person and is organized by such Person (or any Person controlling such Person) primarily for making direct or indirect equity or debt investments in the Issuer and/or other companies.

"*Credit Agreement*" means the Credit Agreement to be entered into by and among Holdings, the Issuer, the other borrowers party thereto, the guarantors from time to time party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and each lender from time to time party thereto, together with the related documents thereto (including the revolving loans thereunder, any letters of credit and reimbursement obligations related thereto, any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents), as amended, extended, renewed, restated, refunded, replaced, refinanced, supplemented, modified or otherwise changed (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, and any one or more agreements (and related documents) governing Indebtedness, including indentures, incurred to refinance, substitute, supplement, replace or add to (including increasing the amount available for borrowing or adding or removing any Person as a borrower, issuer or guarantor thereunder) in whole or in part, the borrowings and commitments then outstanding or permitted to be outstanding under such Credit Agreement or one or more successors to the Credit Agreement or one or more new credit agreements.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Credit Agreement or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the original Credit Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes, any letters of credit and reimbursement obligations related thereto, any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default; *provided* that any Default that results solely from the taking of an action that would have been permitted but for the continuation of a previous Default will be deemed to be cured if such previous Default is cured prior to becoming an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Issuer) of non-cash consideration received by the Issuer or any of the Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock."

"*Designated Preferred Stock*" means Preferred Stock of the Issuer or a Parent Entity (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preferred Stock" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(iii) of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments."

"*Disinterested Director*" means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Issuer having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Issuer shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of the Issuer or any options, warrants or other rights in respect of such Capital Stock.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise; or

(2) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided*, *however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under "—Certain Covenants—Limitation on Restricted Payments;" *provided, however*, that if such Capital Stock is issued to any future, current or former employee, director, officer, contractor or consultant (or their respective Controlled Investment Affiliates (excluding the Permitted Holders (but not excluding any future, current or former employee, director, officer, contractor or consultant) or Immediate Family Members) of the Issuer, any of its Subsidiaries, any Parent Entity or any other entity in which the Issuer or a Restricted Subsidiary has an Investment and is designated in good faith as an "affiliate" by the

Board of Directors (or the compensation committee thereof) or any other plan for the benefit of current, former or future employees (or their respective Controlled Investment Affiliates or Immediate Family Members) of the Issuer or its Subsidiaries or by any such plan to such employees (or their respective Controlled Investment Affiliates or Immediate Family Members), such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations.

"*Dividend Transactions*" means (i) the Notes offered hereby, (ii) the incurrence by the Issuer of incremental term loans under the Credit Agreement as described in the offering circular, (iii) the declaration and payment of dividends or distributions to any Parent Entity or the Issuer or any Restricted Subsidiary paying for the repayment, repurchase, repurchase, redemption, defeasance or other acquisition or retirement for value of all or any portion of the Holdings PIK Notes and any accrued unpaid interest or premium thereon and (iv) the payment of fees and expenses in connection therewith.

"*Domestic Subsidiary*" means, with respect to any Person, any Restricted Subsidiary of such Person other than a Foreign Subsidiary.

"Equity Offering" means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) the sale of Capital Stock or other securities by a Parent Entity, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock or through an Excluded Contribution) of the Issuer or any of its Restricted Subsidiaries.

"*Euro*" or "€" means the single currency of participating member states of the economic and monetary union as contemplated in the Treaty on European Union.

"*Euroclear*" means Euroclear Bank S.A./N.V., as operator of the Euroclear system, or any successor clearing agency.

"*European Government Obligations*" means direct obligations (or certificates representing an ownership interest in such obligations) of a member state of the European Union (including any agency or instrumentality thereof) for the payment of which the full faith and credit of such government is pledged.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preferred Stock) of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*Existing Notes*" means any of the 8.125% Notes due 2021, 4.25% Notes due 2022, 4.50% Notes due 2022 and 7.25% Notes due 2018, in each case to the extent outstanding on the Issue Date after giving effect to the Transactions.

"*fair market value*" may be conclusively established by means of an Officer's Certificate or resolutions of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, with respect to any Person on any determination date, the ratio of Consolidated EBITDA of such Person for the most recent four consecutive fiscal quarters ending immediately prior to such determination date (the "*reference period*") for which consolidated financial statements are available (which may be internal consolidated financial statements) to the Fixed Charges of such Person for the reference period. In the event that the Issuer or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires or extinguishes any Indebtedness (other than Indebtedness incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced), has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the reference period but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Fixed Charge Coverage Ratio Calculation Date*"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such Incurrence, deemed Incurrence, assumption, Guarantee, redemption, defeasance, retirement or extinguishment of Indebtedness (and assuming that Indebtedness in the full amount of the Reserved Indebtedness Amount of such time was outstanding under the related commitments throughout such period) or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period; *provided, however*, that for purposes of the pro forma calculation under the first paragraph under "—Certain Covenants—Limitation on Indebtedness" such calculation shall not give effect to any Indebtedness Incurred on such determination date pursuant to the provisions described in the second paragraph under "—Certain Covenants—Limitation on Indebtedness."

For purposes of making the computation referred to above, any Investments, acquisitions, dispositions, mergers, consolidations and disposed operations that have been made by the Issuer or any of its Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a pro forma basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom) had occurred on the first day of the reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged or amalgamated with or into the Issuer or any of its Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation or disposed operation had occurred at the beginning of the reference period.

For purposes of this definition, whenever pro forma effect is to be given to a transaction, the pro forma calculations shall be made in good faith by a responsible financial or chief accounting officer of the Issuer (including cost savings; *provided* that (x) such cost savings are reasonably identifiable, reasonably attributable to the action specified and reasonably anticipated to result from such actions and (y) such actions have been taken or initiated and the benefits resulting therefrom are anticipated by the Issuer to be realized within twelve (12) months). If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire reference period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed with a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the reference period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Issuer may designate.

"*Fixed Charges*" means, with respect to any Person for any period, the sum of:

(1) Consolidated Interest Expense of such Person for such Period;

(2) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock of any Subsidiary of such Person during such period; and

(3) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period.

"*Foreign Subsidiary*" means, with respect to any Person, (i) any Subsidiary of such Person that is not organized or existing under the laws of the United States or any state thereof, or the District of Columbia, and any Subsidiary of such Subsidiary and (ii) any Subsidiary of such Person that otherwise would be a Domestic Subsidiary substantially all of whose assets consist of Capital Stock and/or Indebtedness of one or more Foreign Subsidiaries and any other assets incidental thereto.

"*GAAP*" means generally accepted accounting principles in the United States of America as in effect on the date of any calculation or determination required hereunder. Except as otherwise set forth in the Indenture, all ratios and calculations based on GAAP contained in the Indenture shall be computed in accordance with GAAP as in effect on the Issue Date. At any time after the Issue Date, the Issuer may elect to establish that GAAP shall mean the GAAP as in effect on or prior to the date of such election; *provided* that any such election, once made, shall be irrevocable. At any time after the Issue Date, the Issuer may elect to apply IFRS accounting principles in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean IFRS (except as otherwise provided in the Indenture), including as to the ability of the Issuer to make an election pursuant to the previous sentence; *provided* that any such election, once made, shall be irrevocable; *provided*, *further*, that any calculation or determination in the Indenture that requires the application of GAAP for periods that include fiscal quarters ended prior to the Issuer's election to apply IFRS shall remain as previously calculated or determined in accordance with GAAP; *provided*, *further again*, that the Issuer may only make such election if it also elects to report any subsequent financial reports required to be made by the Issuer, including pursuant to Section 13 or Section 15(d) of the Exchange Act, in IFRS. The Issuer shall give notice of any such election made in accordance with this definition to the Trustee and the Holders.

"*Guarantee*" means, any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keepwell, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, *however*, that the term "Guarantee" will not include (x) endorsements for collection or deposit in the ordinary course of business or consistent with past practice and (y) standard contractual indemnities or product warranties provided in the ordinary course of business, and *provided further* that the amount of any Guarantee shall be deemed to be the lower of (i) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (ii) the maximum amount for which such guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Guarantee or, if such Guarantee is not an unconditional guarantee of the entire amount of the primary obligation and such maximum amount is not stated or determinable, the amount of such guaranteeing Person's maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means any Restricted Subsidiary that Guarantees the Notes, until such Note Guarantee is released in accordance with the terms of the Indenture.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, foreign exchange contracts, currency swap agreement or similar agreement providing for the transfer or mitigation of interest rate, commodity price or currency risks either generally or under specific contingencies.

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of the common depositary for the accounts of Euroclear or Clearstream in the case of the Notes.

"*Holdings*" means Boxer Parent Company Inc., a Delaware corporation, and its successors.

"*Holdings PIK Notes*" means the 9.000%/9.750% Senior Contingent Cash Pay Notes due 2019 issued by Holdings.

"*IFRS*" means the International Financial Reporting Standards as issued by the International Accounting Standards Board as in effect from time to time.

"*Immaterial Subsidiary*" means, at any date of determination, each Restricted Subsidiary of the Issuer that (i) has not guaranteed any other Indebtedness of the Issuer, (ii) has Total Assets together with all other Immaterial Subsidiaries as of the last day of the then most recent fiscal year of the Issuer for which financial statements have been delivered, of less than 5% of the Total Assets of the Issuer and the Restricted Subsidiaries at such date, determined on a pro forma basis giving effect to any acquisitions or dispositions of companies, divisions or lines of business since the start of such four quarter period and on or prior to the date of acquisition of such Subsidiary and (iii) has consolidated revenues (other than revenues generated from the sale or license of property between any of the Issuer and its Restricted Subsidiaries), together with all other Immaterial Subsidiaries for the then most recent fiscal year of the Issuer for which financial statements have been delivered, of less than 5% of the consolidated revenues (other than revenues generated from the sale or license of property between any of the Issuer and its Restricted Subsidiaries) of the Issuer and the Restricted Subsidiaries for such period, determined on a pro forma basis giving effect to any acquisitions or dispositions of companies, divisions or lines of business since the start of such four quarter period and on or prior to the date of acquisition of such Subsidiary).

"*Immediate Family Members*" means, with respect to any individual, such individual's child, stepchild, grandchild or more remote descendant, parent, stepparent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother-in-law, father-in-law, son-in-law and daughter-in-law (including adoptive relationships) and any trust, partnership or other bona fide estate-planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation or fund that is controlled by any of the foregoing individuals or any donor-advised fund of which any such individual is the donor.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables or similar obligations, including accrued expenses owed, to a trade creditor), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the net payments under such agreement or arrangement giving rise to such obligation that would be payable by such Person at the termination of such agreement or arrangement);

with respect to clauses (1), (2), (4) and (5) above, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with GAAP; provided, that Indebtedness of any Parent Entity appearing upon the balance sheet of the Issuer solely by reason of push-down accounting under GAAP shall be excluded.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amount of funds borrowed and then outstanding. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount of Indebtedness, or liquidation preference thereof, in the case of any other Indebtedness. Indebtedness shall be calculated without giving effect to the effects of Topic No. 815 and related interpretations to the extent such effects would otherwise increase or decrease an amount of Indebtedness for any purpose under the Indenture as a result of accounting for any embedded derivatives created by the terms of such Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business or consistent with past practice, other than Guarantees or other assumptions of Indebtedness;

(ii) Cash Management Services;

(iii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under GAAP as in effect on the Issue Date or any prepayments of deposits received from clients or customers in the ordinary course of business or consistent with past practice;

(iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business or consistent with past practice;

(v) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner;

(vi) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(vii) obligations under or in respect of Qualified Securitization Transactions or Receivables Facilities; or

(viii) amounts owed to dissenting stockholders pursuant to applicable law (including in connection with, or as a result of, exercise of appraisal rights and the settlement of any claims or action (whether actual, contingent or potential)) pursuant to or in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, that complies with the covenant described under "—Merger and Consolidation."

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means any funds or limited partnerships managed or advised by Bain Capital Partners, LLC and Golden Gate Private Equity, Inc. or any of their respective Affiliates or any entity controlled by all or substantially all of the managing directors of Bain Capital Partners, LLC or Golden Gate Private Equity, Inc. from time to time but not including, however, any portfolio companies of any of the foregoing.

"*Intercompany License Agreement*" means any cost sharing agreement, commission or royalty agreement, license or sub-license agreement, distribution agreement, services agreement, intellectual property rights transfer agreement or any related agreements, in each case where all the parties to such agreement are the Issuer or a Restricted Subsidiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business or consistent with past practice, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of GAAP; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business or consistent with past practice will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of "—Certain Covenants—Limitation on Restricted Payments" and "—Designation of Restricted and Unrestricted Subsidiaries":

(1) "*Investment*" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as determined by the Issuer) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined by the Issuer.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Notes receive each of the following:

(1) a rating of "BBB-" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's;

or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*Issue Date*" means   , 2017.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien, hypothecation or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof); *provided* that in no event shall an operating lease be deemed to constitute a Lien.

"*LTM EBITDA*" means Consolidated EBITDA of the Issuer and its Restricted Subsidiaries measured for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements of the Issuer are available (which may be internal consolidated financial statements), in each case with such pro forma adjustments giving effect to such Indebtedness, acquisition, disposition, repayment or Investment, as applicable, since the start of such four quarter period and as are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Coverage Ratio."

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees, contractors or consultants (or their respective Controlled Investment Affiliates or Immediate Family Members) of any Parent Entity, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or consistent with past practice or (b) for purposes of funding any such person's purchase of Capital Stock (or similar obligations) of the Issuer, its Subsidiaries or any Parent Entity with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding $15.0 million in the aggregate outstanding at the time of Incurrence.

"*Management Stockholders*" means the members of management of the Issuer (or any Parent Entity) or its Subsidiaries who are holders of Capital Stock of the Issuer or of any Parent Entity on the Issue Date or will become holders of such Capital Stock in connection with the Transactions.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 436 under the Securities Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid, reasonably estimated to be actually payable or accrued as a liability under GAAP (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Issuer and after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition, including distributions for Related Taxes;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Issuer or any of its respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition;

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition; and

(5) any funded escrow established pursuant to the documents evidencing any such sale or disposition to secure any indemnification obligations or adjustments to the purchase price associated with any such Asset Disposition.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or reasonably estimated to be actually payable as a result of such issuance or sale (including, for the avoidance of doubt, any income, withholding and other Taxes payable as a result of the distribution of such proceeds to the Issuer and after taking into account any available tax credit or deductions and any tax sharing agreements, and including distributions for Related Taxes).

"*Non-Guarantor*" means any Restricted Subsidiary that is not a Guarantor.

"*Note Documents*" means the Notes (including Additional Notes), the Note Guarantees and the Indenture.

"*Obligations"* means any principal, interest (including Post-Petition Interest and fees accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or any Guarantor whether or not a claim for Post-Petition Interest or fees is allowed in such proceedings), penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters of credit and bankers' acceptances), damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Assistant Treasurer, any Managing Director, the Secretary or any Assistant Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel that is reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*Parent Entity*" means any direct or indirect parent of the Issuer.

"*Parent Entity Expenses*" means:

(1) costs (including all legal, accounting and other professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to the Notes, the Note Guarantees or any other Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed or delivered with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its articles, charter, by-laws, partnership agreement or other organizational documents or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) (x) general corporate overhead expenses, including all legal, accounting and other professional fees and expenses and (y) other operational expenses of any Parent Entity related to the ownership or operation of the business of the Issuer or any of the Restricted Subsidiaries;

(5) expenses Incurred by any Parent Entity in connection with (i) any offering, sale, conversion or exchange of Capital Stock or Indebtedness and (ii) any related compensation paid to officers, directors and employees of such Parent Entity; and

(6) amounts to finance Investments that would otherwise be permitted to be made pursuant to the covenant described above under "—Certain Covenants—Limitation on Restricted Payments" if made by the Issuer or a Restricted Subsidiary; *provided,* that (A) such Restricted Payment shall be made substantially concurrently with the closing of such Investment, (B) such direct or indirect parent company shall, immediately following the closing thereof, cause (1) all property acquired (whether assets or Capital Stock) to be contributed to the capital of the Issuer or one of its Restricted Subsidiaries or (2) the merger or consolidation of the Person formed or acquired into the Issuer or one of its Restricted Subsidiaries (to the extent not prohibited by the covenant described under "—Certain Covenants—Merger and Consolidation" above) in order to consummate such Investment, (C) such direct or indirect parent company and its Affiliates (other than the Issuer or a Restricted Subsidiary) receives no consideration or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with the Indenture and such consideration or other payment is included as a Restricted Payment under the Indenture, (D) any property received by the Issuer shall not increase amounts available for Restricted Payments pursuant to clause (c) of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments" and (E) such Investment shall be deemed to be made by the Issuer or such Restricted Subsidiary pursuant to another provision of this covenant or pursuant to the definition of "Permitted Investments."

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer which ranks equally in right of payment to the Notes or of any Guarantor if such Indebtedness ranks equally in right of payment to the Note Guarantees.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents between the Issuer or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock."

"*Permitted Holders*" means, collectively, (i) the Initial Investors, (ii) any one or more Persons, together with such Persons' Affiliates, whose beneficial ownership constitutes or results in a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, (iii) the Management Stockholders, (iv) any Person who is acting solely as an underwriter in connection with a public or private offering of Capital Stock of any Parent Entity or the Issuer, acting in such capacity, and (v) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, Persons referred to in subclauses (i) through (iv), collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect Parent Entities held by such group.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) that will, upon the making of such Investment, become a Restricted Subsidiary, including, in each case, in connection with any Intercompany License Agreements;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, amalgamated, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business or consistent with past practice;

(5) Investments in payroll, travel, entertainment, moving related and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business or consistent with past practice;

(6) Management Advances;

(7) Investments received in settlement of debts created in the ordinary course of business or consistent with past practice and owing to the Issuer or any Restricted Subsidiary or in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or otherwise with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition;

(9) Investments existing or pursuant to agreements or arrangements in effect on the Issue Date and any modification, replacement, renewal or extension thereof; *provided* that the amount of any such Investment may not be increased except (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Hedging Obligations, which transactions or obligations are Incurred in compliance with "—Certain Covenants—Limitation on Indebtedness";

(11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "—Certain Covenants—Limitation on Liens";

(12) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock) or Capital Stock of any Parent Entity as consideration;

(13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Affiliate Transactions" (except those described in clauses (1), (3), (6), (7), (8), (9), (12) and (14) of that paragraph);

(14) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property or services, in any case, in the ordinary course of business and in accordance with the Indenture;

(15) (i) Guarantees of Indebtedness not prohibited by the covenant described under "—Certain Covenants—Limitation on Indebtedness" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business, and (ii) performance guarantees with respect to obligations that are permitted by the Indenture;

(16) Investments consisting of earnest money deposits required in connection with a purchase agreement, or letter of intent, or other acquisitions to the extent not otherwise prohibited by the Indenture;

(17) Investments of a Restricted Subsidiary acquired after the Issue Date or of an entity merged or amalgamated into the Issuer or merged or amalgamated into or consolidated with a Restricted Subsidiary after the Issue Date to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger or consolidation and were in existence on the date of such acquisition, merger or consolidation;

(18) Investments consisting of licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons, including in connection with Intercompany License Agreements;

(19) contributions to a "rabbi" trust for the benefit of employees or other grantor trust subject to claims of creditors in the case of a bankruptcy of the Issuer;

(20) Investments in joint ventures and similar entities and Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause that are at the time outstanding, not to exceed the greater of $250.0 million and 2.50% of Total Assets at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described in the section entitled "—Certain Covenants—Limitation on Restricted Payments" of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided*, however, that if any Investment pursuant to this clause is made in any Person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) above and shall cease to have been made pursuant to this clause for so long as such Person continues to be the Issuer or a Restricted Subsidiary;

(21) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (21) that are at that time outstanding, not to exceed the greater of $300.0 million and 30.0% of LTM EBITDA (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value), plus the amount of any returns (including dividends, payments, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) in respect of such Investments (without duplication for purposes of the covenant described in the section entitled "—Certain Covenants—Limitation on Restricted Payments" of any amounts applied pursuant to clause (c) of the first paragraph of such covenant) with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value; *provided, however,* that if any Investment pursuant to this clause is made in any Person that is not the Issuer or a Restricted Subsidiary at the date of the making of such Investment and such Person becomes the Issuer or a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) above and shall cease to have been made pursuant to this clause for so long as such Person continues to be the Issuer or a Restricted Subsidiary;

(22) (i) Investments arising in connection with a Qualified Securitization Financing or Receivables Facility and (ii) distributions or payments of Securitization Fees and purchases of Securitization Assets or Receivables Assets in connection with a Qualified Securitization Financing or Receivables Facility; and

(23) Investments in connection with the Transactions or any Permitted Tax Restructuring.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness and other Obligations of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, payroll taxes, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure the performance of bids, trade contracts, government contracts and leases, statutory obligations, surety, stay, indemnity, judgment,

customs, appeal or performance bonds, guarantees of government contracts, return-of-money bonds, bankers' acceptance facilities (or other similar bonds, instruments or obligations), obligations in respect of letters of credit, bank guarantees or similar instruments that have been posted to support the same, or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business or consistent with past practice;

(3) Liens with respect to outstanding motor vehicle fines and Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's, construction contractors' or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes which are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to GAAP (or other applicable accounting principles) have been made in respect thereof;

(5) encumbrances, charges, ground leases, easements (including reciprocal easement agreements), survey exceptions, restrictions, encroachments, protrusions, by-law, regulation, zoning restrictions or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of their properties, including servicing agreements, development agreements, site plan agreements, subdivision agreements, facilities sharing agreements, cost sharing agreements and other agreements, which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(6) Liens (a) on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture or Cash Management Services; (b) that are contractual rights of setoff or, in the case of clause (i) or (ii) below, other bankers' Liens (i) relating to treasury, depository and cash management services or any automated clearing house transfers of funds in the ordinary course of business and not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Issuer or any Subsidiary or (iii) relating to purchase orders and other agreements entered into with customers of the Issuer or any Restricted Subsidiary in the ordinary course of business; (c) on cash accounts securing Indebtedness and other Obligations permitted to be Incurred under clause (8)(e) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness" with financial institutions; (d) encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business, consistent with past practice and not for speculative purposes; and/or (e) (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection and (ii) in favor of a banking institution arising as a matter of law encumbering deposits (including the right of setoff) arising in the ordinary course of business in connection with the maintenance of such accounts and (iii) arising under customary general terms of the account bank in relation to any bank account maintained with such bank and attaching only to such account and the products and proceeds thereof, which Liens, in any event, do not secure any Indebtedness;

(7) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(8) Liens securing or otherwise arising out of judgments, decrees, attachments, orders or awards not giving rise to an Event of Default so long as (a) any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated, (b) the period within which such proceedings may be initiated has not expired or (c) no more than 60 days have passed after (i) such judgment, decree, order or award has become final or (ii) such period within which such proceedings may be initiated has expired;

(9) Liens (i) on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations, or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing Indebtedness or other Obligations Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Liens may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property and the proceeds and products thereof and customary security deposits in respect thereof and in the case of multiple financings of equipment provided by any lender, other equipment financed by such lender and (ii) any interest or title of a lessor under any Capitalized Lease Obligations or operating lease;

(10) Liens perfected or evidenced by Uniform Commercial Code financing statement filings, including precautionary Uniform Commercial Code financing statements (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(11) Liens existing on the Issue Date, excluding Liens securing the Credit Agreement;

(12) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, *however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, *further*, that such Liens are limited to all or part of the same property, other assets or stock (any improvements, replacements of such property or assets and additions and accessions thereto, after-acquired property subjected to a Lien securing Indebtedness and other obligations Incurred prior to such time and which Indebtedness and other obligations are permitted hereunder that require, pursuant to their terms at such time, a pledge of after-acquired property, and the proceeds and the products thereof and customary security deposits in respect thereof and in the case of multiple financings of equipment provided by any lender, other equipment financed by such lender) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(13) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(14) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture (other than any Liens securing the Credit Facility Incurred pursuant to clause (1) of the second paragraph under "—Certain Covenants—Limitation on Indebtedness"); *provided* that any such Lien is limited to all or part of the same property or assets (any improvements, replacements of such property or assets and additions and accessions thereto, after-acquired property subjected to a Lien securing Indebtedness and other obligations Incurred prior to such time and which Indebtedness and other obligations are permitted hereunder that require, pursuant to their terms at such time, a pledge of after-acquired property, and the proceeds and the products thereof and customary security deposits in respect thereof and in the case of multiple financings of equipment provided by any lender, other equipment financed by such lender) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness or other Obligations being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(15) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary of the Issuer has easement rights

or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(16) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(17) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(18) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(19) Liens securing Indebtedness permitted to be Incurred under Credit Facilities, including any letter of credit facility relating thereto, that was permitted by the terms of the Indenture to be Incurred pursuant to clause (1) of the second paragraph under "—Certain Covenants—Limitation on Indebtedness";

(20) Liens securing Indebtedness and other Obligations under clause (10), (11), (14) or (18) (provided that, in the case of clause (11), such Liens cover only the assets of such Subsidiary, and in the case of clause (18), such Liens are limited to all or part of the equipment acquired with the proceeds of such Indebtedness) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(21) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(22) any security granted over the marketable securities portfolio described in clause (10) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(23) Liens on specific items of inventory of other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(24) Liens on equipment of the Issuer or any Restricted Subsidiary and located on the premises of any client or supplier in the ordinary course of business;

(25) Liens on assets or securities deemed to arise in connection with and solely as a result of the execution, delivery or performance of contracts to sell such assets or securities if such sale is otherwise permitted by the Indenture;

(26) Liens arising by operation of law or contract on insurance policies and the proceeds thereof to secure premiums thereunder, and Liens, pledges and deposits in the ordinary course of business securing liability for premiums or reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefits of) insurance carriers;

(27) Liens solely on any cash earnest money deposits made in connection with any letter of intent or purchase agreement permitted under the Indenture;

(28) Liens (i) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Permitted Investments to be applied against the purchase price for such Investment, and (ii) consisting of an agreement to sell any property in an asset sale permitted under the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock," in each case, solely to the extent such Investment or asset sale, as the case may be, would have been permitted on the date of the creation of such Lien;

(29) Liens securing Indebtedness and other Obligations in an aggregate principal amount not to exceed the greater of (a) $150.0 million and (b) 15.0% of LTM EBITDA at the time Incurred;

(30) Liens securing Indebtedness and other Obligations permitted under the covenant described under "—Certain Covenants—Limitation on Indebtedness"; *provided* that with respect to liens securing Indebtedness or other Obligations permitted under this clause, at the time of Incurrence and after giving pro forma effect thereto, the Consolidated Total Secured Leverage Ratio would be no greater than 3.75 to 1.00;

(31) Liens arising in connection with a Qualified Securitization Financing or a Receivables Facility; and

(32) Liens arising in connection with any Permitted Tax Restructuring or any Intercompany License Agreements.

In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of Incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with the Indenture, and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

"*Permitted Sale and Leaseback*" means any Sale and Leaseback Transaction with respect to the sale, transfer or disposition of real property or other property consummated by the Issuer or any of its Restricted Subsidiaries after the Issue Date; *provided* that any such Sale and Leaseback Transaction must be consummated for fair value as determined at the time of consummation in good faith by the Issuer or such Restricted Subsidiary (which such determination may take into account any retained interest or other Investments of the Issuer or such Restricted Subsidiary in connection with, and any other material economic terms of, such Sale and Leaseback).

"*Permitted Tax Distribution*" means if and for so long as the Issuer and/or any of its Subsidiaries is a member of a group filing a consolidated or combined income tax return with any Parent Entity, any dividends or other distributions to fund any consolidated or combined income Taxes for which such Parent Entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis calculated as if the Issuer and its applicable Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries.

"*Permitted Tax Restructuring*" means any reorganizations and other activities related to the Issuer's tax planning and tax reorganization so long as the enforceability of the Guarantees are not adversely affected in any material respect.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Post-Petition Interest*" means any interest or entitlement to fees or expenses or other charges that accrue after the commencement of any bankruptcy or insolvency proceeding, whether or not allowed or allowable as a claim in any such bankruptcy or insolvency proceeding.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Securitization Financing*" means any Securitization Facility that meets the following conditions: (i) the Board of Directors shall have determined in good faith that such Securitization Facility (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and its Restricted Subsidiaries, (ii) all sales of Securitization Assets and related assets by the Issuer or any Restricted Subsidiary to the Securitization Subsidiary or any other Person are made for fair consideration (as determined in good faith by the Issuer) and (iii) the financing terms, covenants, termination events and other provisions thereof shall be fair and reasonable terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

"*Receivables Assets*" means (a) any accounts receivable owed to the Issuer or a Restricted Subsidiary subject to a Receivables Facility and the proceeds thereof and (b) all collateral securing such accounts receivable, all contracts and contract rights, guarantees or other obligations in respect of such accounts receivable, all records with respect to such accounts receivable and any other assets customarily transferred together with accounts receivable in connection with a non-recourse accounts receivable factoring arrangement and which are sold, conveyed, assigned or otherwise transferred or pledged by the Issuer to a commercial bank or an Affiliate thereof in connection with a Receivables Facility.

"*Receivables Facility*" means an arrangement between the Issuer or a Subsidiary and a commercial bank or an Affiliate thereof pursuant to which (a) the Issuer or such Subsidiary, as applicable, sells (directly or indirectly) to such commercial bank (or such Affiliate) Receivables Assets and (b) the obligations of the Issuer or such Restricted Subsidiary, as applicable, thereunder are non-recourse (except for Securitization Repurchase Obligations) to the Issuer and such Subsidiary and (c) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings, and shall include any guaranty in respect of such arrangements.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*," "*refinanced*" and "*refinancing*" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the Issue Date or Incurred (or established) in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) (a) such Refinancing Indebtedness has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded or refinanced; and (b) to the extent such Refinancing Indebtedness refinances Subordinated Indebtedness, Disqualified Stock or Preferred Stock, such Refinancing Indebtedness is Subordinated Indebtedness, Disqualified Stock or Preferred Stock;

(2) Refinancing Indebtedness shall not include:

(i) Indebtedness, Disqualified Stock or Preferred Stock of a Subsidiary of the Issuer that is not a Guarantor that refinances Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Guarantor; or

(ii) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of an Unrestricted Subsidiary; and

(3) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including premiums, accrued and unpaid interest and defeasance costs) of the Indebtedness being Refinanced;

provided, that clause (1) above will not apply to any extension, replacement, refunding, refinancing, renewal or defeasance of any Credit Facilities incurred under clause (1) of Permitted Debt or Secured Indebtedness. Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Taxes*" means (1) any Taxes, including sales, use, transfer, rental, *ad valorem*, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding Taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:

(a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries) or otherwise maintain its existence or good standing under applicable law,

(b) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries,

(c) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Subsidiaries of the Issuer, or

(d) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent Entity pursuant to "—Certain Covenants—Limitation on Restricted Payments"; or

(2) any Permitted Tax Distribution.

"*Reserved Indebtedness Amount*" has the meaning set forth in the covenant described under "—Certain Covenants—Limitation on Indebtedness."

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Sale and Leaseback Transaction*" means any arrangement providing for the leasing by the Issuer or any of its Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing.

"*SEC*" means the U.S. Securities and Exchange Commission or any successor thereto.

"*Secured Indebtedness*" means any Indebtedness secured by a Lien other than Indebtedness with respect to Cash Management Services.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Securitization Asset*" means (a) any accounts receivable, real estate asset, mortgage receivables or related assets and the proceeds thereof, in each case subject to a Securitization Facility and (b) all collateral securing such receivable or asset, all contracts and contract rights, guaranties or other obligations in respect of such receivable or asset, lockbox accounts and records with respect to such account or asset and any other assets customarily transferred (or in respect of which security interests are customarily granted), together with accounts or assets in a securitization financing and which in the case of clause (a) and (b) above are sold, conveyed, assigned or otherwise transferred or pledged by the Issuer in connection with a Qualified Securitization Financing.

"*Securitization Facility*" means any transaction or series of securitization financings that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer, or may grant a security interest in, Securitization Assets to either (a) a Person that is not a Restricted Subsidiary or (b) a Securitization Subsidiary that in turn sells Securitization Assets to a person that is not a Restricted Subsidiary, or may grant a security interest in, any Securitization Assets of the Issuer or any of its Subsidiaries.

"*Securitization Fees*" means distributions or payments made directly or by means of discounts with respect to any Securitization Asset or Receivables Asset or participation interest therein issued or sold in connection with, and other fees and expenses (including reasonable fees and expenses of legal counsel) paid in connection with, any Qualified Securitization Financing or a Receivables Facility.

"*Securitization Repurchase Obligation*" means any obligation of a seller of Securitization Assets or Receivables Assets in a Qualified Securitization Financing or a Receivables Facility to repurchase or otherwise make payments with respect to Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including, without limitation, as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Securitization Subsidiary*" means any Subsidiary of the Issuer in each case formed for the purpose of and that solely engages in one or more Qualified Securitization Financings or Receivables Facilities and other activities reasonably related thereto or another Person formed for this purpose.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02(w)(2) of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the Issue Date.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Specified Transaction*" means any (a) disposition of all or substantially all the assets of or all the Capital Stock of any Restricted Subsidiary of the Issuer or of any product line, business unit, line of business or division of the Issuer or any of the Restricted Subsidiaries of the Issuer for which historical financial statements are available, (b) acquisitions permitted under the terms of the Indenture (c) Investment that results in a Person becoming a Restricted Subsidiary of the Issuer, (d) designation of any Restricted Subsidiary as an Unrestricted Subsidiary, or of any Unrestricted Subsidiary as a Restricted Subsidiary or (e) the proposed incurrence of Indebtedness or making of a Restricted Payment or payment in respect of Indebtedness in respect of which compliance with any financial ratio is by the terms of the Indenture required to be calculated on a pro forma basis.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, guarantees and indemnities entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Securitization Facility or Receivables Facility, including, without limitation, those relating to the servicing of the assets of a Securitization Subsidiary, it being understood that any Securitization Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking or, in the case of a Receivables Facility, a non-credit related recourse accounts receivable factoring arrangement.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes pursuant to a written agreement.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Synthetic Lease*" means, as to any Person, any lease (including leases that may be terminated by the lessee at any time) of any property (whether real, personal or mixed) that is designed to permit the lessee (a) to treat such lease as an operating lease, or not to reflect the leased property on the lessee's balance sheet, under GAAP and (b) to claim depreciation on such property for U.S. federal income tax purposes, other than any such lease under which such Person is the lessor.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"*Total Assets*" means, as of any date, the total consolidated assets of the Issuer and its Restricted Subsidiaries on a consolidated basis, as shown on the most recent consolidated balance sheet of the Issuer and its Restricted Subsidiaries, determined on a pro forma basis in a manner consistent with the pro forma basis contained in the definition of Fixed Charge Coverage Ratio.

"*Transaction Expenses*" means any fees or expenses incurred or paid by Holdings, the Issuer or any Restricted Subsidiary in connection with (x) the Transactions and (y) the Dividend Transactions.

"*Transactions*" means the transactions contemplated by the issuance of the Notes, the Dividend Transactions and other related transactions as described in the offering circular.

"*Trust Indenture Act*" means the Trust Indenture Act of 1939, as amended.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Issuer may designate any Subsidiary (other than the Issuer or any direct or indirect parent entity of the Issuer) of the Issuer, respectively (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein), to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with "—Certain Covenants—Limitation on Restricted Payments."

"*U.S. dollars*" or "*$*" means the lawful currency of the United States of America.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing:

(1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment, by

(2) the sum of all such payments.

"*Wholly Owned Domestic Subsidiary*" means a Domestic Subsidiary of the Issuer, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Domestic Subsidiary) is owned by the Issuer or another Domestic Subsidiary.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

This section summarizes certain U.S. federal income tax considerations relating to the purchase, ownership, and disposition of the notes. This summary does not provide a complete analysis of all potential tax considerations. The information provided below is based on the Internal Revenue Code of 1986, as amended (referred to herein as the "Code"), United States Treasury ("Treasury") regulations issued under the Code, judicial authority and administrative rulings and practice, all as of the date hereof and all of which are subject to change, possibly on a retroactive basis. As a result, the tax considerations of purchasing, owning or disposing of the notes could differ from those described below. This summary deals only with purchasers who purchase the notes for cash at their original "issue price" (i.e., the first price at which a substantial amount of the notes is sold for cash to investors other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and hold the notes as "capital assets" within the meaning of Section 1221 of the Code. This summary is general in nature and does not purport to deal with all aspects of U.S. federal income taxation that might be relevant to particular holders in light of their personal investment circumstances or status, nor does it address tax considerations applicable to persons in special tax situations, such as financial institutions, individual retirement and other tax deferred accounts, insurance companies, S corporations, partnerships or other pass-through entities for U.S. federal income tax purposes (or investors in such entities), real estate investment trusts, regulated investment companies, tax exempt investors, broker-dealers, dealers or traders in securities and currencies, U.S. expatriates, persons holding notes as a position in a "straddle," "hedge," "conversion transaction," or other integrated transaction for tax purposes, controlled foreign corporations, corporations that accumulate earnings to avoid U.S. federal income tax, passive foreign investment companies, non-U.S. trusts and estates that have U.S. beneficiaries, persons subject to the alternative minimum tax, U.S. Holders (as defined below) whose functional currency is not the U.S. dollar or U.S. Holders who hold notes through non-U.S. brokers or other non-U.S. intermediaries. Further, this discussion does not address the consequences under any U.S. federal tax laws other than U.S. federal income tax laws (such as the Medicare tax on certain investment income and U.S. federal estate and gift tax laws) or the tax laws of any state, local or any non-U.S. jurisdiction. We will not seek a ruling from the Internal Revenue Service (the "IRS") with respect to any of the matters discussed herein and there can be no assurance that the IRS will not challenge one or more of the tax consequences described herein.

As used herein, a "U.S. Holder" is a beneficial owner of notes that is, for U.S. federal income tax purposes:

- an individual that is a citizen or resident of the U.S.;
- a corporation created or organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust, if (i) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) it has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

As used herein, a "Non-U.S. Holder" is a beneficial owner of notes that is, for U.S. federal income tax purposes, an individual, corporation, estate or trust and is not a U.S. Holder.

If any entity treated as a partnership for U.S. federal income tax purposes is a beneficial owner of notes, the treatment of a partner in the partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partners in partnerships considering an investment in the notes should consult their independent tax advisors about the U.S. federal income tax consequences of purchasing, owning and disposing of notes.

The U.S. federal income tax discussion set forth below as to both U.S. Holders and Non-U.S. Holders is included for general information only and may not be applicable depending upon a Holder's particular situation.

Investors considering the purchase of notes should consult their own tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the notes, including the tax consequences under U.S. federal, state, local, foreign and other tax laws and the possible effects of changes in federal or other tax laws.

Effect of Certain Contingent Payments

In certain circumstances (see, e.g., "Description of Notes—Change of Control" and "Description of Notes—Optional Redemption"), we may be obligated to pay amounts in excess of stated interest or principal on the notes. Our obligation to pay such excess amounts may implicate the provisions of the Treasury regulations relating to "contingent payment debt instruments," in which case the timing and amount of income inclusions and the character of income recognized may be different from the consequences discussed herein. Under these regulations, however, one or more contingencies will not cause a debt instrument to be treated as a contingent payment debt instrument if, as of the issue date, such contingencies in the aggregate are considered "remote" or "incidental." We believe and intend to take the position that such contingencies should be treated as remote and/or incidental within the meaning of the applicable Treasury regulations as of the date hereof, and thus do not result in the notes being treated as contingent payment debt instruments under applicable Treasury regulations. Our position is binding on a holder, unless the holder discloses in the proper manner to the IRS on its tax return for the year during which it acquires the notes that it is taking a different position. However, this determination is not binding on and may be challenged by the IRS. A successful challenge of this position by the IRS could affect the timing and amount of a holder's income and could cause the gain from the sale or other disposition of a note to be treated as ordinary income, rather than capital gain. This disclosure assumes that the notes will not be considered contingent payment debt instruments. Holders should consult their own tax advisors regarding the potential application to the notes of the contingent payment debt regulations and the consequences thereof.

U.S. Holders

Stated Interest

Stated interest on a note generally will be includable by a U.S. Holder in gross income as ordinary interest income at the time it accrues or is received in accordance with such holder's method of accounting for U.S. federal income tax purposes.

A U.S. Holder that uses the cash method of tax accounting will be required to include in income the U.S. dollar value of the Euro-denominated interest payment on a note based on the spot rate of exchange on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. No foreign currency exchange gain or loss will be recognized with respect to the receipt of such payment (other than foreign currency exchange gain or loss realized on the disposition of the Euros so received). See "—Transactions in Euros," below.

A U.S. Holder that uses the accrual method of tax accounting will include in income the U.S. dollar value of the accrued interest on a note in Euros, determined by translating the amount accrued into U.S. dollars based on:

- the average exchange rate in effect during the interest accrual period, or, with respect to an accrual period that spans two taxable years, at the average spot rate for the portion thereof within such U.S. Holder's taxable year; or
- at such U.S. Holder's election, at the spot rate of exchange on (i) the last day of the accrual period, or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year, or (ii) the date of receipt, if such date is within five (5) business days of the last day of the accrual period. Such election must be applied consistently by the U.S. Holder to all debt instruments from year to year and can be changed only with the consent of the IRS.

A U.S. Holder that uses the accrual method of tax accounting will recognize foreign currency exchange gain or loss on the receipt of an interest payment equal to the difference, if any, between (i) the value of the Euros received as interest, as translated into U.S. dollars using the spot rate of exchange on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars, and (ii) the U.S. dollar amount previously included in income with respect to such payment. Such foreign currency exchange gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the notes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of the Notes

Upon the sale, exchange, redemption, retirement or other taxable disposition of a note, except as noted below with respect to foreign currency exchange gain or loss, a U.S. Holder generally will recognize gain or loss equal to the difference, if any, between (i) the amount realized on the disposition (less any amounts attributable to accrued but unpaid stated interest, which will be taxable as interest income to the extent not previously included in income), and (ii) the holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will be the U.S. dollar value of the Euro purchase price calculated at the spot rate of exchange on the date of purchase, and the amount realized by a U.S. Holder upon the disposition of a note will generally be the U.S. dollar value of the Euros received calculated at the spot rate of exchange on the date of disposition.

If the notes are treated under the applicable Treasury regulations for U.S. federal income tax purposes as traded on an established securities market, a U.S. Holder that uses the cash method of tax accounting, and if it so elects, a U.S. Holder that uses the accrual method of tax accounting, will determine the U.S. dollar value of its amount realized on the disposition of a note by translating Euro amounts received at the spot rate of exchange on the settlement date of the disposition. The election available to accrual basis U.S. Holders discussed above must be applied consistently by the U.S. Holder to all debt instruments from year to year and can be changed only with the consent of the IRS. If an accrual method taxpayer does not make this election, it will recognize foreign currency exchange gain or loss (taxable as ordinary gain or loss) upon a sale, exchange, retirement, redemption or other disposition of the notes to the extent that the U.S. dollar value of the Euros received (based on the spot rate on the settlement date) differs from the U.S. dollar value of the amount realized (based on the spot rate on the date of the disposition).

Any gain or loss recognized by a U.S. Holder on a sale, exchange, retirement, redemption or other taxable disposition of a note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in the Euro to U.S. dollar exchange rate during the period in which the U.S. Holder held such note. Such foreign currency exchange gain or loss will equal the difference between the U.S. dollar value of the Euro purchase price calculated at the spot rate of exchange on the date (1) the note is disposed of (or the spot rate on the settlement date, if applicable) and (2) of purchase. The recognition of foreign currency exchange gain or loss on a sale, exchange, retirement, redemption or other taxable disposition (with respect to principal and interest in the aggregate) will be limited to the amount of overall gain or loss realized on the disposition of a note. Any gain or loss realized in excess of the foreign currency exchange gain or loss will generally be capital gain or loss and will be long-term capital gain or loss, if, at the time of such disposition, the note was held by the U.S. Holder for more than one year. Under current law, long-term capital gains of non-corporate U.S. Holders are, under certain circumstances, taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to limitations.

Transactions in Euros

Euros received as interest on, or on a disposition of, a note will have a tax basis equal to their U.S. dollar value at the time such interest is received or at the time such proceeds from disposition are received. The amount of gain or loss recognized on a sale or other disposition of such Euros will be equal to the difference between (1) the amount of U.S. dollars, or the fair market value in U.S. dollars of the other property received in such sale or other disposition, and (2) the U.S. Holder's adjusted tax basis in such Euros. A U.S. Holder that purchases a note with previously owned Euros will generally recognize gain or loss in an amount equal to the difference, if any, between such U.S. Holder's adjusted tax basis in such Euros and the U.S. dollar fair market value of such note on the settlement date of purchase.

Any such gain or loss generally will be ordinary income or loss and will not be treated as interest income or expense. The conversion of U.S. dollars to Euros and the immediate use of such Euros to purchase a note generally will not result in any exchange gain or loss for a U.S. Holder.

Reportable Transaction Reporting

Under applicable Treasury regulations, a U.S. Holder who participates in "reportable transactions" (as defined in the Treasury regulations) must attach to its U.S. federal income tax return a disclosure statement on IRS Form 8886. The Treasury regulations could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the notes as a reportable transaction if this loss exceeds the relevant threshold in the Treasury regulations. U.S. Holders should consult their own tax advisors to determine the tax reporting obligations, if any, including any requirement to file IRS Form 8886, with respect to the ownership or disposition of the notes or any related transaction such as the disposition of any Euros received in respect of the notes and the penalties for non compliance.

Backup Withholding and Information Reporting

In general, a U.S. Holder will be subject to backup withholding at the applicable tax rate (currently at a rate of 28%) with respect to cash payments of interest on the notes and the gross proceeds from dispositions (including a retirement or redemption) of the notes, unless the holder (i) is an entity that is exempt from backup withholding (such as a corporation) and, when required, provides appropriate documentation to that effect or (ii) provides the applicable withholding agent with its social security or other taxpayer identification number ("TIN") within a reasonable time after a request therefor, certifies that the TIN provided is correct and that the holder has not been notified by the IRS that it is subject to backup withholding due to a prior underreporting of interest or dividends, and otherwise complies with applicable requirements of the backup withholding rules. A U.S. Holder who does not provide the applicable withholding agent with its correct TIN may be subject to penalties imposed by the IRS. United States backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS. We or our paying agent will report to the holders and the IRS the amount of any "reportable payments" and any amounts withheld with respect to the notes as required by the Code and applicable Treasury regulations.

Non-U.S. Holders

Interest

Subject to the discussion of backup withholding and FATCA withholding below, interest income of a Non-U.S. Holder that is not effectively connected with a U.S. trade or business carried on by the Non-U.S. Holder will qualify for the so-called "portfolio interest exemption" and, therefore, will not be subject to U.S. federal income or withholding tax, provided that:

- the Non-U.S. Holder does not actually or constructively (pursuant to the rules of Section 871(h)(3)(C) of the Code) hold 10% or more of the combined voting power of our voting stock;
- the Non-U.S. Holder is not a controlled foreign corporation related to us actually or constructively through the stock ownership rules under Section 864(d)(4) of the Code;
- the Non-U.S. Holder is not a bank that is receiving the interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and
- the beneficial owner satisfies the certification requirements set forth in Section 871(h) or 881(c), as applicable, of the Code and the Treasury regulations issued thereunder by giving the applicable

withholding agent an appropriate IRS Form W-8BEN or W-8BEN-E, as applicable (or a suitable substitute or successor form or such other form as the IRS may prescribe), that has been properly completed and duly executed establishing its status as a Non-U.S. Holder or by other means prescribed by applicable Treasury regulations.

If any of these conditions is not met, interest on the notes paid to a Non-U.S. Holder that is not effectively connected with a U.S. trade or business carried on by the Non-U.S. Holder will generally be subject to U.S. federal withholding tax at a 30% rate unless an applicable income tax treaty reduces or eliminates such tax, and the Non-U.S. Holder claims the benefit of that treaty by providing an IRS Form W-8BEN or W-8BEN-E, as applicable (or a suitable substitute or successor form or such other form as the IRS may prescribe), that has been properly completed and duly executed.

If the interest on the notes is effectively connected with a U.S. trade or business carried on by the Non-U.S. Holder ("ECI"), the Non-U.S. Holder will be required to pay U.S. federal income tax on that interest on a net income basis generally in the same manner as a U.S. Holder, unless an applicable income tax treaty provides otherwise (and, unless an applicable income tax treaty provides otherwise, the 30% withholding tax described above will not apply, provided the appropriate statement is provided to the applicable withholding agent). If a Non-U.S. Holder is eligible for the benefits of any income tax treaty between the U.S. and its country of residence, any interest income that is ECI will be subject to U.S. federal income tax in the manner specified by the treaty if the Non-U.S. Holder claims the benefit of the treaty by providing an IRS Form W-8BEN or W-8BEN-E, as applicable (or a suitable substitute or successor form or such other form as the IRS may prescribe), that has been properly completed and duly executed. In addition, a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate, or, if applicable, a lower treaty rate, on its effectively connected earnings and profits attributable to such interest (subject to adjustments).

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of the Notes

Subject to the discussion below concerning backup withholding and FATCA withholding, a Non-U.S. Holder will generally not be subject to U.S. federal income tax on any gain recognized on a sale, exchange, retirement, redemption or other taxable disposition of the notes (other than any amount representing accrued but unpaid interest on the note, which is subject to the rules discussed above under "—Non-U.S. Holders—Interest") unless:

- the gain is effectively connected with the conduct of a trade or business within the U.S. by the Non-U.S. Holder; or
- in the case of a Non-U.S. Holder who is a nonresident alien individual, such holder is present in the U.S. for 183 or more days in the taxable year and certain other requirements are met.

If a Non-U.S. Holder falls under the first of these exceptions, unless an applicable income tax treaty provides otherwise, the holder will be taxed on the net gain recognized on the disposition of the notes under the regular graduated U.S. federal income tax rates on a net income basis generally in the same manner as a U.S. Holder and, if the Non-U.S. Holder is a foreign corporation, it may also be subject to the branch profits tax described above on its effectively connected earnings and profits attributable to such gain.

If a Non-U.S. Holder falls under the second of these exceptions, gain recognized on the sale generally will be subject to U.S. federal income tax at a flat rate of 30% (unless a lower applicable treaty rate applies), which may be offset by certain United States source capital losses.

Backup Withholding and Related Information Reporting

Amounts of interest paid to a Non-U.S. Holder on a note, and amounts withheld from such payments, if any, generally will be required to be reported to the IRS and to such holder. Unless the Non-U.S. Holder complies with the certification procedures to establish that the Non-U.S. Holder is not a U.S. person, information returns may also be filed with the IRS in connection with the proceeds from a sale or other disposition of a note. The IRS may make this information available under the provisions of an applicable income tax treaty to the tax authorities in the country in which the Non-U.S. Holder is resident.

Backup withholding generally will not apply to payments of interest on the notes if a holder certifies its status as a Non-U.S. Holder (usually on an IRS Form W-8BEN or W-8BEN-E, as applicable) or otherwise establishes an exemption. The payment of the proceeds of a disposition of notes (including a retirement or redemption) to or through the U.S. office of a U.S. or foreign broker will be subject to backup withholding (currently at a rate of 28%) and related information reporting unless the Non-U.S. Holder provides the certification described above or otherwise establishes an exemption.

The proceeds of a disposition (including a retirement or redemption) effected outside the U.S. by a Non-U.S. Holder of the notes to or through a foreign office of a broker generally will not be subject to backup withholding or related information reporting. However, if that broker is, for U.S. federal income tax purposes, a U.S. person or a non-U.S. person with certain specified U.S. connections, such information reporting requirements will apply unless that broker has documentary evidence in its files of such holder's status as a Non-U.S. Holder. Backup withholding is not an additional tax. Any amounts withheld from a payment to a holder under the backup withholding rules will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle it to a refund, provided it timely furnishes the required information to the IRS.

FATCA Withholding

Sections 1471 through 1474 of the Code and the Treasury regulations promulgated thereunder ("FATCA") generally impose a United States federal withholding tax of 30% on interest income paid on a debt obligation and, after December 31, 2018, on the gross proceeds from a sale, retirement, redemption or other disposition of a debt obligation paid to: (i) a foreign financial institution (as the beneficial owner or as an intermediary for the beneficial owner), unless such institution enters into an agreement with the U.S. government to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which would include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) and to withhold certain amounts and (ii) a foreign entity that is not a financial institution (as the beneficial owner or as an intermediary for the beneficial owner), unless such entity provides the withholding agent with a certification identifying the substantial U.S. owners of the entity, which generally includes any U.S. person who directly or indirectly owns more than 10% of the entity, in each case, unless another exemption applies.

An intergovernmental agreement between the U.S. and the applicable foreign country, or future Treasury regulations or other guidance, may modify these requirements. In many cases, non-U.S. holders may be able to indicate their exemption from, or compliance with, FATCA by providing a properly completed revised Form W-8BEN or W-8BEN-E, as applicable, to the applicable withholding agent certifying as to such status under FATCA; however, it is possible that additional information and diligence requirements will apply in order for a holder to establish an exemption from withholding under FATCA to the applicable withholding agent. Investors should consult with their own tax advisors regarding the implications of FATCA on their investment in a note.

Israeli Withholding Taxes

Interest paid on the notes by an Israeli Guarantor to a holder who is a non-resident of Israel is subject to Israeli withholding tax at the rate of up to 25%. If the interest is paid to an individual who is a "material shareholder," it will be subject to tax at their marginal tax rate (currently up to 47%). A "material shareholder" for this purpose is a person who holds, directly or indirectly, including with others, at least 10% of any means of control in the company.

Taxes to be withheld from interest paid to non-Israeli residents (individuals or corporations) by an Israeli company or an Israeli permanent establishment of a non-Israeli company, may be reduced under an applicable tax treaty. Under the Convention between the Government of the United States of America and the Government of the State of Israel with Respect to Taxes on Income, the highest rate of withholding tax applicable to persons who qualify under such treaty as US residents, who do not maintain a permanent establishment in Israel, is 17.5%.

Any principal paid on the note by an Israeli Guarantor is likely to be viewed as dividend to the Issuer and will be subject to regular Israeli corporate rate (24% in 2017 and 23% as of 2018), unless reduced by an applicable tax treaty.

Any such obligation to withhold Israeli taxes from interest or principal could have a material adverse effect on the financial condition of the Israeli Guarantors (including due to gross up obligations).

BOOK ENTRY, DELIVERY AND FORM

General

Certain defined terms used but not defined in this section have the meanings assigned to them in the Indenture as described in "Description of Notes."

Notes sold to non-U.S. persons outside the United States in offshore transactions (as defined in Regulation S under the U.S. Securities Act ("Regulation S")) in reliance on Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes"). The Regulation S Global Notes will be deposited, on the Issue Date, with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Notes sold to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A")) in reliance on Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes" and, together with the Regulation S Global Notes, the "Global Notes"). The 144A Global Notes will be deposited, on the Issue Date, with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Ownership of beneficial interests in the 144A Global Notes ("144A Book-Entry Interests") and ownership interest in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear or Clearstream or persons that hold interests through such participants and has to be in accordance with applicable transfer restrictions set forth in the Indenture and in any applicable securities laws of any state of the United States or of any other jurisdiction, as described under "Notice to Investors in the United States" and "Notice to Certain European Economic Area Investors" Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive definitive notes in registered form ("Definitive Registered Notes"). Instead, Euroclear and Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the U.S., may require that certain purchasers of notes securities take physical possession of such notes securities in definitive form. The foregoing limitations may impair your ability to own, transfer, pledge or grant any other security interest in Book-Entry Interests.

So long as the notes are held in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Global Notes for any purpose. So long as the notes are held in global form, the common depositary for Euroclear or Clearstream (including its nominees), will be considered the sole holder of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear or Clearstream, as applicable, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests to transfer their interests in or to exercise any rights of holders under the Indenture. Neither we nor the Trustee nor any of our or the Trustee's respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests. You can find information about certain other restrictions on the transferability of the notes under "—Issuance of Definitive Registered Notes."

Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of the notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

The Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying Agent and any of their respective agents have not and will not have any responsibility or liability: (1) for any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests, or for payments made by Euroclear, Clearstream or any participant or indirect participant relating to Book-Entry Interests or (2) for Euroclear, Clearstream or any participant or indirect participant. The notes will be issued in denominations of €100,000 and in integral multiples of €1,000 in excess thereof. We will not impose any fees or other charges in respect of the notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream.

Issuance of Definitive Registered Notes

Under the terms of the Indenture governing the notes, owners of Book-Entry Interests will receive Definitive Registered Notes only in the following circumstances: (1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days or (2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default which results in action by the Trustee pursuant to the enforcement provisions under the Indenture.

In any such events described in clauses (1) or (2) the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear or Clearstream (in accordance with their respective customary procedures and certain certification requirements and based upon directions received from participants reflecting the beneficial ownership of the Book-Entry Interests). The Definitive Registered Notes will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the Indenture or by applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable in respect of the balance of the holding not transferred or redeemed, provided that a Definitive Registered Note with respect to the notes will only be issued in denominations of €100,000 or in integral multiples of €1,000 in excess thereof.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of the Transfer Agent, we will issue, and the Trustee or an authenticating agent will authenticate, a replacement.

We or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such notes. See "Transfer Restrictions."

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Registrar, and such registration is a means of evidencing title to the notes. The Issuer will not impose any fees or other charges in respect of the notes; however, holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream.

Redemption of Global Notes

In the event any Global Note (or any portion thereof) is redeemed, the common depositary for Euroclear and Clearstream, as applicable, or its nominee, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that under existing practices of Euroclear and Clearstream, if fewer than all of the notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts, if any) will be made by us to the Paying Agent. The principal paying agent will, in turn, make such payments to the common depository for Euroclear and Clearstream or its nominee, which will distribute such payments to participants in accordance with their respective procedures. We will make payments of all such amount without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law.

Under the terms of the Indenture, we and the Trustee will treat the registered holder of the Global Notes, which will initially be the nominee of the common depositary for Euroclear and Clearstream, as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we nor the Trustee or any of our or the Trustee's respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

We expect that payments by participants to owners of Book-Entry Interests held through such participants will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name." Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name."

Currency and Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the notes, will be paid to holders of interests in such notes (the "Euroclear/Clearstream Holders") through Euroclear and Clearstream in Euros.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Global Notes in U.S. dollars.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Global Notes in U.S. dollars in accordance with Euroclear or Clearstream's customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder's election. All costs of conversion resulting from any such election will be borne by such holder.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of the notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants, as described in the subsection "—Issuance of Definitive Registered Notes."

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the notes to persons in jurisdictions that require physical delivery of securities or to pledge such notes, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set for in "Transfer Restrictions." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "Transfer Restrictions."

Exchanges between 144A Global Notes and Regulation S Global Notes

144A Book-Entry Interests may be transferred to a person who takes delivery in the form of Regulation S Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act. Until the expiration of 40 days after the later of the commencement of the offering of the notes and the issue date for the additional notes, ownership of Regulation S Book-Entry Interests will be limited to persons other than U.S. persons, and any sale or transfer of such interest to U.S. persons shall not be permitted during such periods unless such resale or transfer is made pursuant to Rule 144A. Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A as described under "Transfer Restrictions" and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "Description of Notes" and, if required, only if the transferor first delivers to the Registrar and the Transfer Agent a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Transfer Restrictions."

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and/or Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we, the Trustee, nor the initial purchasers are responsible for those operations or procedures. The Issuer and each Guarantor understand as follows with respect to Euroclear and Clearstream: we expect that the notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes numbers for the notes are set forth under "Listing and General Information."

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement under the Book-Entry System

The notes represented by the Global Notes are expected to be listed and admitted for trading on the Official List of TISE. The Issuer expects that secondary trading in any certified notes will also be settled in immediately available funds. We expect that the notes will be accepted for clearance through the facilities of Euroclear or Clearstream. Transfers of Book-Entry Interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures. The following description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience.

Although Euroclear and Clearstream currently follow the procedures described herein in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, any Guarantor, the Trustee or the Paying Agent will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the notes will be made in Euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Euroclear or Clearstream on the same business day as in the U.S. U.S. investors who wish to transfer their interests in the notes, or to receive or make a payment or delivery of notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels if Euroclear is used, or Luxembourg if Clearstream is used.

CERTAIN ERISA CONSIDERATIONS

General

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on employee benefit plans subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Code, prohibit certain transactions involving the assets of an ERISA Plan or of a plan, such as an individual retirement account, that is not subject to ERISA but is subject to Section 4975 of the Code or an entity deemed to hold the assets of such plans (together with ERISA Plans, "Plans"). Such a transaction could be prohibited if the transaction involves certain parties related to the Plan (referred to as "parties in interest" or "disqualified persons") or if the Plan fiduciary causing the use of plan assets in the transaction has a prohibited conflict of interest related to the transaction. A party in interest or disqualified person that engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code, and a fiduciary that causes a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Any Plan fiduciary that proposes to cause a Plan to purchase the notes should consult with its counsel regarding the applicability of the fiduciary responsibility provisions of ERISA and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Each Plan should consider the fact that none of the Issuer, the initial purchasers nor any of their respective affiliates (the "Transaction Parties") will act as a fiduciary to any Plan with respect to the decision to acquire notes and is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, with respect to such decision. The decision to acquire notes must be made by each prospective Plan purchaser on an arm's length basis. In addition, each Plan acquiring notes must generally be represented by a fiduciary independent of the Transaction Parties (which may not be an owner of, or a relative of an owner of, an IRA, in the case of an investor that is an IRA) that (i) is capable of evaluating investment risks independently, both in general and with regard to the prospective investment in the notes, (ii) has exercised independent judgment in evaluating whether to invest the assets of such Plan in the notes and (iii) is a bank, an insurance carrier, a registered investment adviser, a registered broker-dealer or an independent fiduciary with at least $50 million of assets under management or control.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA or Section 4975 of the Code ("Similar Law"). Fiduciaries of any such plans should consult with their counsel before purchasing the notes to determine the need for and the availability of, if necessary, any exemptive relief under any Similar Law.

Prohibited Transaction Exemptions

Any Plan fiduciary that proposes to purchase and hold any notes with the assets of such Plan should consider, among other things, whether such purchase and holding may constitute or result in a direct or indirect prohibited transaction with a party in interest or disqualified person with respect to such Plan and, if so, whether exemptive relief may be available for the transaction. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the initial purchasers, the guarantors or any of their respective affiliates.

The U.S. Department of Labor has issued prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the notes. These exemptions include, without limitation, PTCE 84-14 (relating to transactions effected by an independent "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory exemption for certain transactions involving certain non-fiduciary service providers or their affiliates. One of these exemptions could provide an exemption for the purchase and holding of the notes from the prohibited transaction provisions of ERISA and Section 4975 of the Code if its conditions are satisfied. However, there can be no assurance that all of the conditions of any of these exemptions or of any other exemption will be available with respect to any particular transaction involving the notes.

Representation

By acceptance of a note, each purchaser and subsequent transferee will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes constitutes assets of any Plan or other plan subject to Similar Law or (ii) the acquisition, holding, and disposition of the notes by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law, and if it is a Plan, the decision to acquire and hold the notes has been made by a duly authorized fiduciary (each, a "Plan Fiduciary") who is independent of the Transaction Parties, which Plan Fiduciary (A) is a fiduciary under ERISA or the Code, or both, with respect to the decision to acquire and hold the notes, (B) is not an IRA owner or a relative of an IRA owner (in the case of an IRA), (C) is capable of evaluating investment risks independently, both in general and with regard to the prospective investment in the notes, (D) has exercised independent judgment in evaluating whether to invest the assets of such Plan in the notes, and (E) is either a bank, an insurance carrier, a registered investment adviser, a registered broker-dealer or an independent fiduciary with at least $50 million of assets under management or control as specified in 29 C.F.R. Section 2510.3-21(c)(1)(i).

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated the date hereof, we have agreed to sell to the initial purchasers, for whom Credit Suisse Securities (Europe) Limited is acting as representative, the following respective principal amounts of the notes:

Initial Purchasers	Principal Amount of Notes
Credit Suisse Securities (Europe) Limited	€
Barclays Bank PLC	
Goldman Sachs & Co. LLC	
HSBC Securities (USA) Inc.	
Mizuho International plc	
RBC Europe Limited	
Total	€380,000,000

One or more of the initial purchasers may use affiliates or other appropriately licensed entities for sales of the notes in jurisdictions in which such initial purchasers are not otherwise permitted.

The purchase agreement provides that the initial purchasers are obligated to purchase all of the notes if any are purchased. The purchase agreement also provides that if an initial purchaser defaults the purchase commitments of non-defaulting initial purchasers may be increased or the offering may be terminated. The initial purchasers will receive customary commissions and discounts under the purchase agreement upon the consummation of the offering of the notes pursuant to this offering circular.

The initial purchasers propose to offer the notes initially at the offering price on the cover page of this offering circular and may also offer the notes to selling group members at the offering price less a selling concession. After the initial offering, the offering price may be changed. The initial purchasers may also offer and sell notes to investment funds managed by affiliates of Bain Capital and/or Golden Gate Capital at a discount from the offering price set forth on the cover of this offering circular.

The notes have not been registered under the Securities Act or the securities laws of any other jurisdiction. The notes may not be offered or sold within the U.S. or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. The initial purchasers have agreed that, except as permitted by the purchase agreement, they will not offer, sell or deliver the notes as part of their distribution at any time within the U.S. or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the notes are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of the offering, an offer or sale of notes within the U.S. by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

It is expected that delivery of the notes will be made against payment therefor on or about the date specified on the cover of this offering circular, which is the tenth business day following the date of pricing of the notes (such settlement cycle being referred to as "T+10"). You should note that trading of the notes on the date of this offering circular or the next seven succeeding business days may be affected by the T+10 settlement. Purchasers of the notes who wish to trade the notes on the date of pricing should consult their own adviser.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "Relevant Member State"), the offer to the public of any notes which are the subject of this offering contemplated by this offering circular is not being made and will not be made in that Relevant Member State other than:

(a) to any legal entity that is a "qualified investor" as defined in the Prospectus Directive (which refers to the definition of professional investors set forth in Directive 2004/39/EC, the Markets in Financial Instruments Directive or "MiFID");

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant initial purchaser or initial purchasers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the notes shall require the Issuer or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to the notes 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 notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, 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 amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the Netherlands

This offering circular is directed only at qualified investors (*gekwalificeerde beleggers*) as defined in the Prospectus Directive, as amended and as implemented in the Netherlands. The notes have not, may not and will not be offered to the public in the Netherlands, other than exclusively to qualified investors (*gekwalificeerde beleggers*). This offering circular must not be acted on or relied on by persons who are not qualified investors (*gekwalificeerde beleggers*). Any investment or investment activity to which this offering circular relates is available only to qualified investors (*gekwalificeerde beleggers*) and will be engaged in only with qualified investors (*gekwalificeerde beleggers*). Recipients of this offering circular are not permitted to transmit it to any other person. For the purposes of this provision, the expression "offer of notes to the public" in relation to any notes in the Netherlands means (i) to make a sufficiently specific offer addressed to more than one person as referred to in section 217(1) of Book 6 of the Dutch Civil Code to conclude a contract to purchase or otherwise acquire the notes, or to issue an invitation to make an offer of the notes, or (ii) the placement of the notes through financial intermediaries as referred to in section 2(1)(d) of the Prospectus Directive.

Notice to Prospective Investors in Austria

The notes may only be offered in the Republic of Austria in compliance with the provisions of the Austrian Capital Market Act and other laws applicable in the Republic of Austria governing the offer and sale of the notes in the Republic of Austria. The notes are not registered or otherwise authorized for public offer in Austria under the Austrian Capital Market Act or any other securities laws in Austria and the offering circular has not been and/ or will not be published pursuant to the Austrian Capital Market Act. The notes may only be marketed to investors in Austria on the basis of, and in accordance with, an exemption from the obligation to publish a prospectus pursuant to section 3 of the Austrian Capital Market Act. Accordingly, the notes may not be, and are not being, offered or advertised publicly and the notes will only be available to, and this offering circular and any other offering material in relation to the notes is directed only at, persons to whom such offer or disclosure may be lawfully made. Any resale of the notes in Austria may only be made in accordance with the Austrian Capital Market Act and other applicable laws and in any case only on the basis of, and in accordance with, an exemption from the obligation to publish a prospectus pursuant to section 3 of the Austrian Capital Market Act.

Notice to Prospective Investors in Belgium

This offering circular relates to a private placement of the notes and does not constitute an offer or solicitation to the public in Belgium to subscribe for or acquire the notes. The offering has not been and will not be notified to, and this offering circular has not been, and will not be, approved by the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers*) pursuant to the Belgian laws and regulations applicable to the public offering of notes. Accordingly, the offering, as well as any other materials relating to the offering, may not be advertised, the notes may not be offered or sold, and this offering circular or any other information circular, brochure or similar document may not be distributed, directly or indirectly, (i) to any other person located and/or resident in Belgium other than in circumstances which do not constitute an offer to the public in Belgium pursuant to the Belgian Act of June 16, 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated market or (ii) to any persons qualifying as a consumer within the meaning of Book VI of the Belgian Economic Law Code. This offering circular has been issued to the intended recipient for personal use only and exclusively for the purpose of the offer. Therefore it may not be used for any other purpose, nor passed on to any other person in Belgium.

Notice to Prospective Investors in Canada

The notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriting conflicts of interest in connection with this offering.

Notice to Prospective Purchasers in Hong Kong

This offering circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The securities to be sold under this offering circular may not be offered or sold in Hong Kong by means of any document other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder; or (b) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong); or (c) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the securities may be issued or may be in the possession of any person for the purpose of issue (in each case 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 of Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in the United Kingdom

The issue and distribution of this offering circular is restricted by law. This offering circular is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This offering circular is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order")); (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Order; (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this offering circular should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000.

Each initial purchaser represents, warrants and agrees as follows:

i. they have 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 the Financial Services and Markets Act of 2000 (the "FSMA")) received by them in connection with the issue or sale of the notes in circumstances in which Section 21 of the FSMA does not apply to the Issuer or the guarantors; and

ii. they have complied with, and will comply with, all applicable provisions of the FSMA with respect to anything done by them in relation to the notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Spain

This offering circular has not been registered as a prospectus with the *Spanish Comisión Nacional del Mercado de Valores* and therefore the notes may not be offered in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with Article 35 of the Security Market Act 4/2015, of October 23 (R*eal Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended and restated or pursuant to an exemption from registration in accordance with Article 41 of the Royal Decree 1310/2005 (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado De valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*).

Notice to Prospective Investors in Switzerland

This offering circular is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from

Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this offering circular nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Neither this offering circular nor any other offering or marketing material relating to the offering, nor the Issuer nor the notes have been or will be filed with or approved by any Swiss regulatory authority. The notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the notes will not benefit from protection or supervision by such authority.

Notice to Prospective Purchasers in Singapore

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes have not and may not be circulated or distributed, nor may the notes 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 pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, 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, in each case subject to compliance with conditions set forth in the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), 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; then securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest in that trust will not be transferable for 6 months after that corporation or that trust has acquired the securities under Section 275 of the SFA except: (i) to an institutional investor under Section 274 of the SFA, or to a relevant person under Section 275(2) of the SFA, or any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is given for the transfer; (iii) by operation of law; or (iv) as specified in Section 276(7) of the SFA.

Notice to Prospective Investors in Sweden

This offering circular is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*Sw. lagen (1991:980) om handel med finansiella instrument*) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) nor any other Swedish public body has examined, approved or registered this offering circular or will examine, approve or register this offering circular. Accordingly, this offering circular may not be made available, nor may the notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that constitute an exemption from the requirement to prepare a prospectus under the Swedish Financial Instruments Trading Act.

Notice to Prospective Purchasers in France

This offering circular has not been prepared in the context of a public offering in France within the meaning of Article L.411-1 of the French *Code Monétaire et Financier* and therefore has not been filed with the French

Financial Markets Authority (*Autorité des Marchés Financiers)* for prior approval. The Issuer represents that it has not offered or sold and will not offer or sell, directly or indirectly, any of the notes which are the subject of the offering contemplated by this offering circular to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this offering circular, or any other offering material relating to the notes. The offers, sales or distributions in France will be made only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle retreint d'investisseurs*) acting for their own account, as defined in, and in accordance with, Articles L.411-2, D.411-1, D411-4, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier.*

The notes thus acquired cannot be distributed directly or indirectly to the public otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier.*

Notice to Prospective Investors in Italy

The offering of the notes has not been cleared by the Italian Securities Exchange Commission (Commissione Nazionale per le Società e la Borsa (the ''CONSOB'')) pursuant to Italian securities legislation and, accordingly, the notes may not and will not be offered, sold or delivered, nor may or will copies of this offering circular or any other documents relating to the notes or the offer be distributed in Italy other than (i) to qualified investors (investitori qualificati), pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the ''Financial Services Act'') and as defined in Article 34-ter, first paragraph, letter b) of the CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (''Regulation No. 11971''), or (ii) in other circumstances which are exempted from the compliance with the public offer rules in accordance with Article 100 of the Financial Services Act, and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the notes or distribution of copies of this offering circular or any other document relating to the notes or the offer in Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Legislative Decree No. 385 (the ''Banking Law''), the Financial Services Act of 1 September 1933, as amended, CONSOB Regulation No. 16190 of 29 October 2007, as amended, and any other applicable laws and regulations; (b) in compliance with Article 129 of the Banking Act, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

Please note that in connection with the subsequent distribution of the notes (with a minimum denomination lower than €50,000) in Italy, in accordance with Article 100 bis of the Financial Services Act where no exemption from the rules on public offer applies under (ii) above, the subsequent distribution of the notes in the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such notes being declared null and void and in the intermediaries transferring the notes being liable for any damages suffered by potential purchasers in connection with such sales.

Any investor purchasing notes in the offer is solely responsible for ensuring that any offer or resale of notes it purchased in the offer occurs in compliance with applicable laws and regulations. This offering circular and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

Notice to Prospective Investors in the United States

The Initial Purchaser has represented and agreed that, except for offers made to non-U.S. Persons in compliance with Regulations S, it has not offered, and it will not offer, the notes to any person who is not a Qualified Purchasers that is also a Qualified Institutional Buyer (or solely in the case of any Certificated Secured Notes and Subordinated Notes, a Qualified Purchaser that is also an Institutional Accredited Investor).

The Initial Purchaser has represented that it has not solicited any offer to buy or offered, and agrees that it will not solicit any offer to buy or offer, the notes by means of any form of general solicitation or general advertising (as those terms are used in Regulation D) or in any manner involving a public offering in the United States within the meaning of Section 4(2) of the Securities Act.

Notice to Prospective Investors in Portugal

See "—Notice To Prospective Investors In The European Economic Area" above.

Notice to Prospective Investors in Germany

This offering circular has not been prepared in accordance with the requirements for a securities or sales prospectus under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), the German Sales Prospectus Act (*Verkaufsprospektgesetz*), or the German Investment Act (Investmentgesetz). Neither the German Federal Financial Services Supervisory Authority (*Bundesanstaltfür Finanzdienstleistungsaufsicht — BaFin*) nor any other German authority has been notified of the intention to distribute the notes in Germany. Consequently, the notes may not be distributed in Germany by way of public offering, public advertisement or in any similar manner and this offering circular and any other document relating to this offering, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the notes to the public in Germany or any other means of public marketing. The notes are being offered and sold in Germany only to qualified investors which are referred to in Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act, Section 8f paragraph 2 no. 4 of the German Sales Prospectus Act, and in Section 2 paragraph 11 sentence 2 no. 1 of the German Investment Act. This offering circular is strictly for the use of the person who has received it. It may not be forwarded to other persons or published in Germany.

Notice to Prospective Investors in Luxembourg

The terms and conditions relating to this offering circular have not been approved by and will not be submitted for approval to (i) the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for purposes of a public offering or sale in the Grand Duchy of Luxembourg ("Luxembourg") of the notes or admission to the official list of the Luxembourg Stock Exchange ("LxSE") and trading on the LxSE's regulated market or to (ii) the LxSE for purposes of admitting the notes to the official list of the LxSE and trading on the LxSE's Euro MTF market. Accordingly, the notes may not be offered or sold to the public in Luxembourg, directly or indirectly, or listed or traded on the LxSE's regulated market or the LxSE's Euro MTF market, and neither this offering circular nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended.

Notice to Prospective Investors in Ireland

The Initial Purchaser will represent and warrant that it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the issue of any Notes or do anything in Ireland in respect of any notes, otherwise than in compliance with the provisions of: (i) the Prospectus (Directive 2003/71/EC) Regulations 2005 (and any amendments thereto, including Prospectus (Directive 2003/71/EC) (Amendment) Regulations 2012) and any rules of the Central Bank of Ireland (the "Central Bank") under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 (as amended) (the "2005 Act"); (ii) the Irish Companies Act 2014; (iii) the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. No. 60 of 2007) (as amended), and it will conduct itself in accordance with any codes or rules of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank with respect to anything done by it in relation to the notes; (iv) the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued by the Central Bank under Section 34 of the 2005 Act; and (v) the Central Bank Acts 1942 to 2014 and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989.

In addition, see "—Notice To Prospective Investors in the European Economic Area" above.

General

We and the guarantors have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any dollar denominated debt securities issued or guaranteed by us and having a maturity of more than one year from the date of issue, or publicly disclose our intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse Securities (Europe) Limited for a period of 60 days after the date hereof.

We and the guarantors have agreed to indemnify the initial purchasers against liabilities that could arise from the use of this offering circular or to contribute to payments which they may be required to make in that respect.

The notes are a new issue of securities for which there currently is no market. We will apply to list the notes on the Official List of TISE for trading on the Official List of TISE, though we cannot assure you that the notes will be approved for listing or that such listing will be maintained. The initial purchasers have advised us that they presently intend to make a market in the notes as permitted by applicable law. The initial purchasers are not obligated, however, to make a market in the notes and any market making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

The initial purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the initial purchasers to reclaim a selling concession from a broker/dealer when the notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These over-allotments, stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The initial purchasers and their respective affiliates have from time to time performed, various financial advisory, commercial banking, investment banking and other related services for us and our affiliates for which they have received customary compensation, and they may continue to do so in the future.

Credit Suisse AG, Cayman Islands Branch, is the administrative agent and collateral agent for the Senior Secured Credit Facilities. In addition, certain of the initial purchasers or their affiliates are arrangers of the Concurrent Financing Transactions, and will receive customary fees in connection therewith. In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold broad array of investments and actively trade debt and equity securities or related derivative securities and financial instruments which may include bank loans and/or credit default swaps for their own account and for the accounts of their customers and such investment and securities activities may involve our securities and/or instruments. The initial purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold for their own account and for the accounts of their customers, or recommend to clients that they acquire long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

The notes have not been registered under the Securities Act and may not be offered except to (a) qualified institutional buyers in the U.S. in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) non-U.S. persons in offshore transactions in reliance on Regulation S.

Each purchaser of the notes offered otherwise than in reliance on Regulation S (the "Restricted Notes") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser (A) (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such notes for its own account or for the account of a qualified institutional buyer or (B) is not a U.S. person and is purchasing such notes in an offshore transaction pursuant to Regulation S.

(2) The purchaser understands that the Restricted Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that such notes have not been and, except as described in this offering circular, will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the notes, such notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (iv) in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the notes from it of the resale restrictions referred to in (A) above.

(3) The purchaser understands that the Restricted Notes will, until the expiration of the applicable holding period with respect to the notes set forth in Rule 144 of the Securities Act, or any successor provisions, bear a legend substantially to the following effect (the "Restricted Note Legend"):

> THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.
>
> THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

Each purchaser of the notes offered in reliance on Regulation S will be deemed to have represented and agreed that it is not a U.S. person and is purchasing such notes in an offshore transaction (as such terms are defined in Regulation S) pursuant to Regulation S and understands that such notes will bear a legend substantially to the following effect (the "Regulation S Legend"):

> THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

Restricted Notes may be exchanged for notes not bearing the Restricted Note Legend but bearing the Regulation S Legend upon certification by the transferor in the form set forth in the Indenture that the transfer of any such Restricted Note has been made in accordance with Rule 904 under the Securities Act. We understand that under current market practices settlement of the transfer of any such note may be effected through the facilities of DTC, but that prior to the 40th day after the later of the commencement of this offering and the last original issue date of the notes, any such transfer may only occur through the facilities of Euroclear and/or Clearstream, Luxembourg. See "Book Entry, Delivery and Form."

Each purchaser of the notes will be deemed to have represented and agreed as follows:

either: (A) the purchaser is not a Plan or other plan subject to Similar Law and it is not purchasing the notes on behalf of, or with the "plan assets" of, any Plan or other plan subject to Similar Law; or (B) the purchaser's purchase, holding and subsequent disposition of the notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law, and if it is a Plan, the decision to purchase and hold the notes has been made by a Plan Fiduciary who is independent of the Transaction Parties, which Plan Fiduciary (i) is a fiduciary under ERISA or the Code, or both, with respect to the decision to purchase and hold the notes, (ii) is not an IRA owner or a relative of an IRA owner (in the case of an IRA), (iii) is capable of evaluating investment risks independently, both in general and with regard to the prospective investment in the notes, (iv) has exercised independent judgment in evaluating whether to invest the assets of such Plan in the notes, and (v) is either a bank, an insurance carrier, a registered investment adviser, a registered broker-dealer or an independent fiduciary with at least $50 million of assets under management or control as specified in 29 C.F.R. Section 2510.3-21(c)(1)(i).

LEGAL MATTERS

Certain legal matters with regard to the validity of the notes and other legal matters will be passed upon for us by Kirkland & Ellis LLP, New York, New York (a limited liability partnership that includes professional corporations). The initial purchasers have been represented by Cahill Gordon & Reindel LLP, New York, New York.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as of March 31, 2017 and 2016, and for the years then ended, included in this offering circular, have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing herein.

WHERE YOU CAN FIND MORE INFORMATION

This offering circular summarizes documents that are not delivered herewith. Copies of such documents are available upon request, without charge, by writing to us at BMC Software Finance, Inc., Attn: Investor Relations, 2103 CityWest Boulevard, Houston, Texas 77042-2827, or via telephone at (800) 841-2031 ext. 4525 or via email at investor@bmc.com. Information about us is also available on our website at http://www.bmc.com. Information on our website is not incorporated by reference into this offering circular and therefore is not part of this offering circular.

LISTING AND GENERAL INFORMATION

Listing

Application will be made to list the notes on the Official List of TISE and to admit the notes for trading on the Official List of TISE. The fees and expenses related to the listing and admission of the notes for trading are estimated to be approximately €20,000.

Clearing Reference Numbers

We expect that the notes will be delivered through the facilities of Euroclear and Clearstream against payment in New York, New York on , 2017. The CUSIP, ISIN and Common Code numbers for the notes are as follows:

	Rule 144A Global Note	Regulation S Global Note
CUSIP		
ISIN		
Common Code		

Interests of Natural and Legal Persons Involved in the Issuance of the Notes

Save as discussed in "Plan of Distribution," so far as the Issuer is aware, no person involved in the offer of the notes has an interest material to such offer.

Incorporation of the Issuer

The Issuer is a Delaware corporation. Its principal corporate offices are located at 2103 CityWest Boulevard, Houston, Texas 77042-2827. Its main telephone number is (713) 918-8800. The Company's website is located at www.bmc.com. **The Company's website and the information contained on its website are not part of this offering circular.**

Incorporation of the Guarantors

BladeLogic, Inc. is a corporation organized under the laws of Delaware. It is registered under Tax Identification Number 04-3569976 and the address of its registered office is 1209 Orange Street, City of Wilmington, County of New Castle, Delaware, 19801, United States of America.

BMC Software, Inc. is a corporation organized under the laws of Delaware. It is registered under Tax Identification Number 74-2126120 and the address of its registered office is 1209 Orange Street, City of Wilmington, County of New Castle, Delaware, 19801, United States of America.

BMC Software Israel LTD is a limited company organized under the laws of Israel. It is registered under Tax Identification Number 52-003784-7 and the address of its registered office is 10, Habarzel Street, Tel Aviv, Israel.

Identify Software LTD is a limited company organized under the laws of Israel. It is registered under Tax Identification Number 51-226572-9 and the address of its registered office is 10, Habarzel Street, Tel Aviv, Israel.

BMC Software Federal, L.L.C. is a limited liability company organized under the laws of Delaware. It is registered under Tax Identification Number 46-3887048 and the address of its registered office is c/o The Corporation Trust Company, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware, 19801, United States of America.

Corporate Authority

The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of its obligations in respect of the notes.

Persons Responsible

The Issuer accepts responsibility for the information contained in this offering circular. To the best knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this offering circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Third-Party Information

The information contained in this offering circular, which has been sourced from third parties, has been correctly reproduced, and, as far as the Issuer is aware and able to ascertain from information published by any such third-party, no facts have been omitted that could render the reproduced information inaccurate or misleading. See "Market, Ranking and Other Data."

Legal Proceedings

The Issuer and its subsidiaries are subject to claims and lawsuits arising in the ordinary course of their business. For additional information about certain of these legal proceedings, See "Our Business—Legal Proceedings."

Listing Sponsor

Carey Olsen Corporate Finance Limited ("COCFL") will act as listing sponsor in connection with the listing of the notes on the Official List of TISE. COCFL's registered office is located at 47 Esplanade, St Helier, Jersey JE1 0BD.

Paying Agent

Elavon Financial Services DAC, UK Branch, a bank incorporated in Ireland and a wholly-owned subsidiary of U.S. Bank National Association, a national banking association formed under the laws of the United States, with an office at 5th floor, 125 Old Broad Street, London EC2N 1AR, United Kingdom, will serve as Paying Agent.

Documents Available for Inspection

For a period of 14 days following the grant of listing of the notes on the Official List of TISE, electronic copies of the documents listed below will be made available, upon request, to any holder or prospective purchaser of the notes. Any such requests should be directed to the Issuer at BMC Software, Inc., Attn: Investor Relations, 2103 CityWest Boulevard, Houston, Texas 77042-2827, or via telephone at (800) 841-2031 ext. 4525 or via email at investor@bmc.com. Information about us is also available on our website at http://www.bmc.com. Information on our website is not incorporated by reference into this offering circular and therefore is not part of this offering circular.

- this offering circular;
- the articles of incorporation of the Issuer; and
- the Indenture (which includes the form of the notes).

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors of BMC Software Finance, Inc.

We have audited the accompanying consolidated financial statements of BMC Software Finance, Inc., which comprise the consolidated balance sheets as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive loss, stockholder's equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BMC Software Finance, Inc. at March 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

May 16, 2017

BMC SOFTWARE FINANCE, INC.
CONSOLIDATED BALANCE SHEETS
(In millions)

	March 31, 2017	March 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 628.4	$ 410.0
Short-term investments	—	4.9
Trade accounts receivable, net	520.4	474.7
Trade finance receivables, net	86.8	86.9
Other current assets	100.1	109.9
Total current assets	1,335.7	1,086.4
Property and equipment, net	122.9	133.2
Software development costs, net	94.3	150.4
Long-term trade finance receivables, net	55.6	46.0
Intangible assets, net	1,929.3	2,356.2
Goodwill	4,090.7	4,134.7
Deferred tax assets, net	40.7	26.4
Other long-term assets	217.7	166.5
Total assets	$7,886.9	$8,099.8
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities:		
Trade accounts payable	$ 23.5	$ 44.4
Finance payables	8.2	24.4
Accrued liabilities	320.8	273.8
Deferred revenue	1,228.8	1,124.6
Current portion of long-term borrowings	36.1	36.4
Total current liabilities	1,617.4	1,503.6
Long-term deferred revenue	1,282.7	1,079.9
Deferred tax liabilities, net	318.7	532.0
Long-term borrowings	5,126.5	5,260.1
Other long-term liabilities	110.1	102.9
Total liabilities	8,455.4	8,478.5
Stockholder's deficit	(568.5)	(378.7)
Total liabilities and stockholder's deficit	$7,886.9	$8,099.8

The accompanying notes are an integral part of these consolidated financial statements.

BMC SOFTWARE FINANCE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In millions)

	Year Ended March 31, 2017	Year Ended March 31, 2016
Revenue:		
Perpetual license	$ 364.5	$ 359.9
Perpetual maintenance and SaaS	895.9	819.8
Term license and maintenance	373.2	293.0
Professional services	104.9	110.1
Total revenue	1,738.5	1,582.8
Operating expenses:		
Cost of license, maintenance and SaaS revenue	245.6	240.8
Cost of professional services revenue	94.4	110.3
Selling and marketing expenses	553.1	554.5
Research and development expenses	166.9	160.2
General and administrative expenses	165.8	184.6
Depreciation and amortization expenses	530.9	517.8
Gain on patent litigation, net	(215.0)	—
Total operating expenses	1,541.7	1,768.2
Operating income (loss)	196.8	(185.4)
Other expense, net:		
Other income (expense), net	1.1	(4.2)
Interest expense, net	(368.1)	(363.5)
Total other expense, net	(367.0)	(367.7)
Loss before income taxes	(170.2)	(553.1)
Benefit for income taxes	(100.5)	(155.3)
Net loss	$ (69.7)	$ (397.8)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment, net of tax provision of $0.4 and $5.7, respectively	38.8	25.1
Unrealized gain (loss) on cash flow hedges, net of tax provision of $2.4 and $1.1, respectively	24.9	(23.7)
Reclassification adjustment on cash flow hedges	(15.0)	23.3
Total other comprehensive income	48.7	24.7
Total comprehensive loss	$ (21.0)	$ (373.1)

The accompanying notes are an integral part of these consolidated financial statements.

BMC SOFTWARE FINANCE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY (DEFICIT)
(In millions, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss		Total Stockholder's Equity (Deficit)
	Shares	Amount			Foreign Currency Translation Adjustment, Net of Taxes	Unrealized Gain (Loss) on Cash Flow Hedges, Net of Taxes	
Balance, March 31, 2015	1,000	$—	$1,258.7	$ (934.8)	$(256.5)	$(25.0)	$ 42.4
Comprehensive loss:							
Net loss	—	—	—	(397.8)	—	—	(397.8)
Other comprehensive income, net of total tax provision of $6.8	—	—	—	—	25.1	(0.4)	24.7
Share-based compensation expense contributed by Parent	—	—	24.5	—	—	—	24.5
Dividends to Parent	—	—	(72.5)	—	—	—	(72.5)
Balance, March 31, 2016	1,000	$—	$1,210.7	$(1,332.6)	$(231.4)	$(25.4)	$(378.7)
Comprehensive loss:							
Net loss	—	—	—	(69.7)	—	—	(69.7)
Other comprehensive income, net of total tax provision of $2.8	—	—	—		38.8	9.9	48.7
Share-based compensation expense contributed by Parent	—	—	32.5	—	—	—	32.5
Cumulative effect of accounting changes, net of tax of $1.5	—	—	—	(2.4)	—	—	(2.4)
Dividends to Parent	—	—	(74.3)	—	—	—	(74.3)
Purchase of Parent debt	—	—	(124.6)	—	—	—	(124.6)
Balance, March 31, 2017	1,000	$—	$1,044.3	$(1,404.7)	$(192.6)	$(15.5)	$(568.5)

The accompanying notes are an integral part of these consolidated financial statements.

BMC SOFTWARE FINANCE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended March 31, 2017	Year Ended March 31, 2016
Cash flows from operating activities:		
Net loss	$ (69.7)	$(397.8)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expenses	530.9	517.8
Amortization of debt issuance costs and other	32.1	24.0
Deferred income tax benefit	(225.4)	(182.5)
Unrealized gain on derivative instruments	(24.1)	—
Non-cash compensation expense	31.2	26.0
Changes in operating assets and liabilities, net of acquisitions:		
Trade accounts receivable	(42.6)	(2.8)
Trade finance receivables	(9.3)	(12.6)
Prepaid and other current assets	(5.4)	—
Other long-term assets	7.6	9.5
Accrued and other current liabilities	54.3	(35.9)
Deferred revenue	307.0	262.8
Other long-term liabilities	5.4	(28.4)
Other operating assets and liabilities	46.4	(29.7)
Net cash provided by operating activities	638.4	150.4
Cash flows from investing activities:		
Purchases of property and equipment	(44.8)	(72.6)
Capitalization of software development costs	(20.5)	(46.2)
Cash paid for acquisitions	—	(11.0)
Cash paid for premiums on derivative instruments, net	(1.1)	—
Maturities (purchases) of investments	5.0	(4.9)
Net cash used in investing activities	(61.4)	(134.7)
Cash flows from financing activities:		
Repayments of borrowings and capital lease obligations	(156.0)	(46.7)
Purchases of Parent debt	(124.6)	—
Dividends paid to Parent	(73.8)	(72.5)
Net cash used in financing activities	(354.4)	(119.2)
Effect of exchange rate changes on cash and cash equivalents	(4.2)	1.5
Net change in cash and cash equivalents	218.4	(102.0)
Cash and cash equivalents, beginning of period	410.0	512.0
Cash and cash equivalents, end of period	$ 628.4	$ 410.0
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 335.2	$ 335.6
Cash paid for income taxes, net	$ 49.4	$ 40.3

The accompanying notes are an integral part of these consolidated financial statements.

BMC SOFTWARE FINANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Basis of Presentation

On September 10, 2013 (the Acquisition Date), BMC Software, Inc. (BMC) was acquired (the Acquisition) by Boxer Parent Company Inc. (Parent), pursuant to an Agreement and Plan of Merger dated May 6, 2013 (as amended, the Merger Agreement), through Parent's subsidiary, BMC Software Finance, Inc. (the Company). The Company is a Delaware corporation affiliated with Bain Capital Partners, LLC; Golden Gate Private Equity, Inc.; Insight Venture Management, LLC; a company affiliated with GIC Special Investments Pte Ltd and Elliott Associates, L.P. (together, the Sponsors). The Company has 1,000 shares of $0.01 par value common stock authorized for issuance and outstanding, which are held by Parent. Unless otherwise stated or unless the context otherwise requires, "we," "us" and "our" refer to BMC Software Finance, Inc. and its consolidated subsidiaries.

The accompanying consolidated financial statements include our accounts and the accounts of our subsidiaries and are prepared in conformity with United States generally accepted accounting principles (GAAP). All significant intercompany balances and transactions have been eliminated in consolidation. We have evaluated subsequent events through May 16, 2017, the date of these financial statements.

Nature of Operations

We are a leading provider of information technology operations management solutions used by information technology (IT) professionals to simplify and automate complex IT functions and processes in order to improve efficiency and value and to transform traditional businesses into digital enterprises. Our extensive portfolio of software and software-as-a-service (SaaS) solutions improves decision making and orchestrates workflows across distributed, mainframe, cloud and mobile environments. We also provide our customers with maintenance and support services for our products and assist customers with software implementation, integration, IT process and organizational transformation and education services.

Revision of Prior Period Financial Statements

During the year ended March 31, 2017, the Company identified certain immaterial errors associated principally with the accounting for its subsidiary in Israel, including adjustments relating to the income tax effects of the Acquisition, certain withholding taxes and certain foreign currency transactions, all of which affected income taxes reported in certain previously issued consolidated financial statements, including financial statements for the year ended March 31, 2016 which have been included herein for comparative purposes. The Company concluded that the impact of these errors was not material, individually or in the aggregate, to the consolidated financial statements for the year ended March 31, 2016. However, the Company has revised the financial statements as of and for the year ended March 31, 2016 included herein to reflect the correction of these immaterial errors.

The impact of the revision adjustments on the consolidated financial statements is shown in the following tables:

	March 31, 2016		
	As Previously Reported	Adjustments	As Revised
		(In millions)	
Consolidated Balance Sheet			
Goodwill	$4,047.2	$87.5	$4,134.7
Total assets	8,012.3	87.5	8,099.8
Deferred tax liabilities, net	451.9	80.1	532.0
Total liabilities	8,398.4	80.1	8,478.5
Stockholder's deficit	(386.1)	7.4	(378.7)

	Year Ended March 31, 2016		
	As Previously Reported	Adjustments	As Revised
		(In millions)	
Consolidated Statement of Comprehensive Loss			
Loss before income taxes	$(553.1)	$ —	$(553.1)
Benefit for income taxes	(136.4)	(18.9)	(155.3)
Net loss	(416.7)	18.9	(397.8)
Foreign currency translation adjustment, net of tax	16.1	9.0	25.1
Total other comprehensive income	15.7	9.0	24.7
Total comprehensive loss	(401.0)	27.9	(373.1)
Consolidated Statement of Cash Flows			
Net loss	$(416.7)	$ 18.9	$(397.8)
Deferred income tax benefit	(163.6)	(18.9)	(182.5)
Other long-term assets	16.7	(7.2)	9.5
Other operating assets and liabilities	(36.9)	7.2	(29.7)

	March 31, 2016		
	As Previously Reported	Adjustments	As Revised
		(In millions)	
Consolidated Statement of Stockholder's Equity (Deficit)			
Accumulated deficit	$(1,350.5)	$ 17.9	$(1,332.6)
Foreign currency translation adjustment, net of tax	(220.9)	(10.5)	(231.4)
Total stockholder's deficit	(386.1)	7.4	(378.7)

	March 31, 2015		
	As Previously Reported	Adjustments	As Revised
		(In millions)	
Consolidated Statement of Stockholder's Equity (Deficit)			
Accumulated deficit	$(933.8)	$ (1.0)	$(934.8)
Foreign currency translation adjustment, net of tax	(237.0)	(19.5)	(256.5)
Total stockholder's equity	62.9	(20.5)	42.4

The revisions had no impact on total cash flows from operating, investing or financing activities.

Recently Adopted Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (FASB) issued a new standard that changes the accounting for certain aspects of share-based payments to employees. The new guidance, among other things, provides an accounting policy election to account for forfeitures as they occur, rather than estimate forfeitures expected to occur when determining the amount of compensation cost to recognize. We elected to early adopt the new guidance in the first quarter of fiscal 2017, which requires us to reflect any adjustments as of April 1, 2016, the beginning of the annual period that includes the interim period of adoption. The impact of adoption related to the election to account for forfeitures as they occur, rather than estimate forfeitures expected to occur, resulted in a cumulative adjustment to accumulated deficit, net of tax, of $2.4 million.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenue and expenses during the reporting periods and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include, but are not limited to, revenue recognition, valuation of goodwill, valuation of intangible assets as well as their associated useful lives, valuation of share-based compensation, capitalization and amortization of software development costs, the valuation allowance for deferred income taxes and accounting for unrecognized tax benefits.

Cash and Cash Equivalents

We consider highly liquid investments with an original maturity of ninety days or less when purchased to be cash equivalents. At March 31, 2017 and 2016, our cash equivalents were comprised of certificates of deposit. Our cash equivalents are subject to potential credit risk. The carrying value of cash and cash equivalents approximates fair value.

Receivables

In the ordinary course of business, we extend credit to our customers on both trade and financed terms. Trade and finance receivables are recorded at their outstanding principal balances, adjusted for interest receivable to date, if applicable, and adjusted by the allowance for doubtful accounts. Interest income on finance receivables is recognized using the effective interest method and is presented as other income, net, in the consolidated statements of comprehensive loss. Interest income on these finance receivables was $4.5 million and $5.6 million during the years ended March 31, 2017 and 2016, respectively. In estimating the allowance for doubtful accounts, we consider the length of time receivable balances have been outstanding, historical collection experience, current economic conditions and customer-specific information. When we ultimately conclude that a receivable is uncollectible, the balance is charged against the allowance for doubtful accounts. At March 31, 2017 and 2016, the allowance for doubtful trade accounts receivable was $3.7 million and $6.9 million, respectively. There was no allowance for doubtful trade finance receivables at March 31, 2017, and at March 31, 2016, it was $0.1 million. During the year ended March 31, 2017, the recovery of bad debt was $0.2 million and the amounts written off against the allowance for doubtful accounts totaled $3.1 million. During the year ended March 31, 2016, the provision for bad debts was $1.8 million and the amounts written off against the allowance for doubtful accounts totaled $1.6 million.

Long-lived and Indefinite-lived Assets

Property and Equipment

Property and equipment are recorded at cost. Depreciation on property and equipment, other than leasehold improvements, is recorded using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Leasehold improvements are depreciated using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets, which range from three to ten years.

Costs incurred to develop internal-use software (including software used to deliver SaaS) during the application development stage are capitalized and amortized using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Application development stage costs generally include costs associated with internal-use software configuration, coding, installation and testing. Costs of significant upgrades and enhancements that result in additional functionality are also capitalized, whereas costs incurred for maintenance and minor upgrades and enhancements are expensed as incurred.

Software Development Costs

Costs of software developed internally for licensing to third parties are expensed until the technological feasibility of the software product has been established. Thereafter, software development costs incurred through the general release of the software products are capitalized and subsequently reported at the lower of unamortized cost or net realizable value. Capitalized software development costs are then amortized using the greater of an amount determined by the ratio of current revenues recognized to the total anticipated revenues for a product or straight-line over the product's estimated economic life beginning at the date of general availability of the product to our customers. The amortization of capitalized software development costs related to share-based compensation is included in cost of license, maintenance and SaaS revenue; the remaining amortization, including any amounts accelerated for products that are not expected to generate sufficient future revenue to realize their carrying values, is included in depreciation and amortization expenses in the consolidated statements of comprehensive loss. During the year ended March 31, 2017, amounts capitalized were $21.5 million (including $1.0 million of capitalized interest and $1.0 million of share-based compensation costs), and amounts amortized were $77.6 million (including $3.7 million related to share-based compensation costs). During the year ended March 31, 2016, amounts capitalized were $47.4 million (including $2.3 million of capitalized interest and $1.2 million of share-based compensation costs), and amounts amortized were $68.0 million (including $3.4 million related to share-based compensation costs).

Beginning in fiscal 2016, the Company adopted more agile research and development methods for the majority of its product lines, which has the effect of decreasing the amounts of software development costs capitalized.

Definite-lived Intangible Assets

Definite-lived intangible assets at March 31, 2017 and 2016 consisted principally of acquired technology, customer relationships and certain product-related trademarks and tradenames recorded in connection with the Acquisition, as well as subsequent acquisitions. Definite-lived intangible assets are amortized over their respective estimated economic lives, ranging from three to fifteen years, either on a straight-line basis or using a method more representative of the time pattern over which the benefit is derived.

Impairment of Long-lived Assets

We review long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. If there is an impairment indicator, a quantitative test is performed based on a comparison of the undiscounted future cash flows to the recorded value of the asset or asset group. If the asset or asset group fails this quantitative test, the asset or asset group is written down to its estimated fair value.

Indefinite-lived Intangible Assets

Indefinite-lived intangible assets at March 31, 2017 and 2016 consisted of our corporate trademark and tradename recorded in connection with the Acquisition. The indefinite-lived intangible assets are not subject to amortization and thus are assessed for impairment on an annual basis, or more frequently if events or circumstances indicate that it is more likely than not that the asset is impaired. If, after assessing the totality of the events and circumstances, we conclude that it is not more likely than not that the indefinite-lived asset is impaired, we are not required to take any further action. We test our indefinite-lived intangible assets for impairment on January 1 of each year. As of January 1, 2017, we performed a quantitative assessment of impairment of our indefinite-lived intangible assets, using the royalty savings method of applying the income approach, which did not result in any impairments.

Goodwill

Goodwill represents the excess of the purchase consideration over the net of the acquisition-date fair value of identifiable assets acquired, including identifiable intangible assets, and liabilities assumed in connection with our business combinations. Upon acquisition, goodwill is assigned to the reporting units that are expected to benefit from the synergies of the business combination. A reporting unit is the operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. If a reorganization causes the Company's reporting units to change, goodwill is reassigned to the reporting units based on their relative fair values.

We assess goodwill for impairment as of January 1 of each fiscal year, or more frequently if events or changes in circumstances indicate that the fair value of a reporting unit has been reduced below its carrying value. When conducting our annual goodwill impairment assessment, we use a three step process. The first step is to perform an optional qualitative evaluation as to whether it is more likely than not that the fair value of any of our reporting units is less than its carrying value, using an assessment of relevant events and circumstances. In performing this assessment, we are required to make assumptions and judgments including but not limited to an evaluation of macroeconomic conditions as they relate to our business, industry and market trends, as well as the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. If we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, we are not required to perform any additional tests in assessing goodwill for impairment. However, if we conclude otherwise or elect not to perform the qualitative assessment, we perform a second step for that reporting unit, consisting of a quantitative assessment of goodwill impairment. This quantitative assessment requires us to estimate the fair value of each reporting unit and compare the estimated fair value of each reporting unit, determined using a combination of the income and market approaches on an invested capital basis, to its respective carrying value (including goodwill) as of the date of the impairment test. The third step, employed for any reporting unit whose carrying value exceeds its fair value, is used to measure the amount of any potential impairment and compares the implied fair value of the reporting unit's goodwill with its carrying amount. If a reporting unit's carrying value is negative, the Company does not follow this three-step process, and instead performs a qualitative evaluation to determine whether it is more likely than not that the reporting unit's goodwill is impaired. If we determine it is more likely than not impaired, the third step discussed above is performed to determine if there is an impairment and measure the amount of any potential impairment. As of January 1, 2017, we performed a quantitative assessment of goodwill for impairment, which did not result in any impairments.

Foreign Currency Translation and Risk Management

We operate globally and transact business in various foreign currencies. The functional currency for many of our foreign subsidiaries is the respective local currency. The balance sheets of these foreign operations are translated into U.S. dollars using the currency exchange rates in effect at the balance sheet dates. Revenue and expenses of these subsidiaries are translated into U.S. dollars using the average exchange rates during the period, on a monthly basis. The substantial majority of our revenue derived from customers outside of the United States is billed in local currencies from regional headquarters. Fluctuations in foreign currency exchange rates can significantly impact the translated amount of revenue and expenses recognized in our consolidated statements of comprehensive loss. Balance sheet translation adjustments are included in accumulated other comprehensive loss within stockholder's deficit. We also have foreign currency exposure related to foreign currency denominated assets and liabilities, primarily accounts receivable and intercompany balances. Foreign currency transaction gains or losses on these balance sheet exposures are included in other income (expense), net, in the consolidated statements of comprehensive loss.

Revenue Recognition

We derive revenue principally from software-related arrangements consisting of software license and maintenance offerings, non-software arrangements consisting of our SaaS offerings as well as the associated professional services for each of these types of arrangements. We commence revenue recognition when all of the following core revenue recognition criteria are satisfied: i) persuasive evidence of an arrangement exists; ii) delivery of the license or service has occurred or is occurring; iii) the arrangement fee is fixed or determinable and iv) collection of the arrangement fee is probable.

Software License and Maintenance Arrangements

Software license revenue is recognized upfront on perpetual license sales when the core revenue recognition criteria above are satisfied and vendor-specific objective evidence (VSOE) of the fair value of undelivered elements exists. As substantially all of our software licenses are sold in multiple-element arrangements that include either maintenance or both maintenance and professional services, we use the residual method to determine the amount of license revenue to be recognized. Under the residual method, consideration is allocated to undelivered elements based upon VSOE of the fair value of those elements, with the residual of the arrangement fee allocated to and recognized as license revenue. We have established VSOE of the fair value of our maintenance offerings through independent maintenance renewals. These demonstrate a consistent relationship of pricing maintenance as a percentage of either the net license fee or the discounted or undiscounted license list price. VSOE of the fair value of professional services is established based on daily rates when sold on a stand-alone basis, as well as management-approved pricing for certain new offerings.

We are unable to establish VSOE of the fair value for all undelivered elements in certain arrangements that include multiple software products for which the associated maintenance pricing is based on a combination of undiscounted license list prices, net license fees or discounted license list prices. We are also unable to establish VSOE of the fair value of all undelivered elements in certain arrangements that include unlimited licensing rights and certain arrangements that contain rights to future unspecified software products as part of the maintenance offering. If VSOE of the fair value of one or more undelivered elements does not exist, license revenue is deferred and recognized upon delivery of those elements or when VSOE of the fair value exists for all remaining undelivered elements, or if the deferral is due to the factors described above, license revenue is recognized ratably over the longest expected delivery period of undelivered elements in the arrangement, which is typically the longest maintenance term.

In our time-based license agreements, we are unable to establish VSOE of the fair value of undelivered maintenance elements because the contractual maintenance terms in these arrangements are the same duration as the license terms, and VSOE of the fair value of maintenance cannot be established. Accordingly, license and maintenance fees in time-based license arrangements are recognized ratably over the term of the arrangements and are included in term license and maintenance revenue in the consolidated statements of comprehensive loss.

Maintenance revenue is recognized ratably over the contractual terms of the maintenance arrangements, which primarily range from one to three years and in some instances can extend up to five or more years.

Professional Services Arrangements

Professional services revenue, which principally relates to consulting, implementation and education services associated with our products, is derived under both time-and-material and fixed fee arrangements. In most fixed fee arrangements, revenue is recognized on a proportional performance basis based on days of effort. If no discernible customer deliverable exists until the completion of the professional services, we apply the completed performance method and defer the recognition of professional services revenue until completion of the services, which is typically evidenced by a signed completion letter from the customer. Services that are sold in connection with software license arrangements generally qualify for separate accounting from the license elements because they do not involve significant production, modification or customization of our products and are not otherwise considered to be essential to the functionality of such products. In arrangements where the professional services do not qualify for separate accounting from the license elements, the combined software license and professional services revenue is recognized based on contract accounting using either the percentage-of-completion or completed-contract method.

SaaS Arrangements

SaaS subscription fees are recognized ratably over the contractual terms of the subscription arrangements beginning on the date that the service is made available to customers. Additional professional services fees, principally related to optional services engagements that are not essential to the functionality of our core SaaS offerings and are considered to have stand-alone value, are generally recognized on a proportional performance basis based on days of effort. In our consolidated statements of comprehensive loss, SaaS subscription revenue and optional professional services revenue are included in perpetual maintenance and SaaS revenue and professional services revenue, respectively. To date, SaaS and related professional services revenues have not represented a significant percentage of our total revenue in any period.

Other Revenue Recognition Considerations

In arrangements containing both software and non-software (e.g., SaaS) elements, which to date have been infrequent, we allocate the arrangement consideration first into software and non-software units of accounting based on a relative selling price hierarchy and then apply the applicable software and non-software revenue recognition criteria to each unit of accounting. To date, we have determined the relative selling price of software and non-software units of accounting based on management's best estimate of selling price as other means of determining relative selling price (e.g., VSOE of the fair value or other third-party evidence) have not been available with respect to all of the components in bundled software and non-software arrangements.

We also execute arrangements through resellers, distributors and systems integrators (collectively, channel partners) in which the channel partners act as the principals in the transactions with the end users of our products and services. We recognize revenue from transactions with channel partners on a net basis (the amount actually received by us from the channel partners) when all other revenue recognition criteria are satisfied. We do not offer right of return or price protection to any of our channel partners.

Revenue from financed customer transactions are generally recognized in the same manner as those requiring current payment, as we have a history of offering installment contracts to customers and successfully enforcing original payment terms without making concessions. In arrangements where the fees are not considered to be fixed or determinable, we recognize revenue when payments become due under the arrangement. If we determine that a transaction is not probable of collection or a risk of concession exists, we do not recognize revenue in excess of the amount of cash received.

We are required to charge certain taxes on our revenue transactions. These amounts are not included in revenue. Instead, we record a liability when the amounts are invoiced and relieve the liability when payments are made to the applicable government agency.

In our consolidated statements of comprehensive loss, revenue is categorized as perpetual license, perpetual maintenance and SaaS, term license and maintenance or professional services revenue. We allocate revenue from arrangements containing multiple elements to each of these categories based on the VSOE of the fair value of the elements in each revenue arrangement and the application of the residual method for arrangements in which we have established VSOE of the fair value of all undelivered elements. In arrangements where we are not able to establish VSOE of the fair value of all undelivered elements, we first allocate revenue to any undelivered elements for which VSOE of fair value has been established, then allocate revenue to any undelivered elements for which VSOE of the fair value has not been established based upon management's best estimate of fair value of those undelivered elements and apply a residual method to determine the license fee. Management's best estimate of fair value of undelivered elements for which VSOE of the fair value has not been established is based upon the VSOE of the fair value of similar offerings and other objective criteria.

Cost of License, Maintenance and SaaS Revenue

Cost of license, maintenance and SaaS revenue is primarily comprised of the amortization of share-based compensation components of capitalized software development costs, license-based royalties to third parties, production and distribution costs for initial product licenses, costs associated with the customer support and research and development personnel that provide maintenance, enhancement and support services to our customers, as well as internal and third party infrastructure hosting and support costs associated with our SaaS offerings.

Sales Commissions

We pay commissions, other incentives and sales bonuses to our direct sales force related to customer transactions under sales compensation plans established annually. We defer the portion of commissions that are direct and incremental to customer contracts and recognize them as selling and marketing expenses in the consolidated statements of comprehensive loss over the terms of the related customer contracts, in proportion to the recognition of the associated revenue. The commission payments are typically paid in full in the month following execution of the customer contracts. Deferred commissions at March 31, 2017 and 2016 were $89.0 million and $79.7 million, respectively.

Share-Based Compensation

Share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as compensation expense either on a straight-line basis (for time-based awards) or using the accelerated method (for market-based awards) over the requisite service period of the award, which is typically the vesting period. Forfeitures are accounted for when they occur.

Refer to Note 9 for further information regarding share-based compensation.

Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences of temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting purposes and their respective tax bases, along with net operating losses and tax credit carryforwards. Income taxes include U.S. and foreign income taxes, including U.S. federal taxes on undistributed earnings of foreign subsidiaries to the extent such earnings are not considered to be indefinitely reinvested. We record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. We utilize a "more likely than not" threshold for the recognition and derecognition of tax positions and measure positions accordingly. We reflect changes in recognition or measurement in the period in which the change in judgment occurs, which can be caused by the closing of a tax audit, judicial rulings, expirations of the statute of limitations or refinements of estimates based on changing facts or circumstances. We recognize interest and penalties in benefit for income taxes in our consolidated statements of comprehensive loss.

We file a consolidated tax return together with Parent. Our income taxes are accounted for as if the Company filed a separate consolidated tax return excluding Parent.

Refer to Note 8 for further information regarding income taxes.

(2) Business Combinations

During the year ended March 31, 2016, the Company acquired certain assets and assumed certain liabilities from Boundary, Inc., a provider of SaaS solutions targeted to modern development and operations environments, and Column Technologies, Inc., a provider of web-based case management software solutions for human resources call centers, for total combined purchase consideration of $11.0 million. The transactions were accounted for as business combinations and purchase consideration was allocated to acquired assets and assumed liabilities, consisting primarily of approximately $6.8 million of acquired technology with a weighted average economic life of 3 years. The acquisitions resulted in an allocation of $4.6 million to goodwill, which is deductible for tax purposes.

The operating results of the acquired businesses have been included in the consolidated financial statements since the respective acquisition dates.

(3) Financial Instruments

Cash and cash equivalents

Our cash and cash equivalents were comprised of the following:

	March 31,	
	2017	2016
	(In millions)	
Cash on hand	$530.7	$326.3
Certificates of deposit	73.6	58.7
Restricted cash	24.1	25.0
Total cash and cash equivalents	$628.4	$410.0

Derivative Financial Instruments

In order to minimize the impact of increases in interest rates on interest payments associated with our variable-rate U.S. Term Loans and Foreign Euro Term Loans (as defined in Note 6), we entered into a series of interest rate cap agreements (the Interest Rate Caps). The terms of the Interest Rate Caps are as follows:

Notional:	€400.0 million	€300.0 million	$2,304.0 million	$1,728.0 million
Effective Date:	February 6, 2014	September 5, 2016	February 6, 2014	September 6, 2016
Maturity Date:	September 3, 2016	September 3, 2018	September 6, 2016	September 4, 2018
Strike Rate:	3.00%	5.00%	3.00%	5.00%
Index:	3-month EURIBOR	3-month EURIBOR	3-month USD-LIBOR-BBA	3-month USD-LIBOR-BBA

The Interest Rate Caps have quarterly interest rate reset dates. To the extent the index interest rate exceeds the strike rate on an interest rate reset date, the counterparty will pay us an amount equal to the notional amount of the Interest Rate Cap multiplied by the amount by which the index interest rate exceeds the Interest Rate Cap's strike rate.

The €400.0 million Euro-denominated Interest Rate Cap was not designated as a hedge for accounting purposes during the years ended March 31, 2017 and 2016, and matured on September 3, 2016. The €300.0 million Euro-denominated Interest Rate Cap is designated as a cash flow hedge of the variability of interest payments under the Foreign Euro Term Loans due to changes in the underlying benchmark interest rate (EURIBOR). The $2,304.0 million Interest Rate Cap was designated as a cash flow hedge of the variability of interest payments under the U.S. Term Loans due to changes in the underlying benchmark interest rate (LIBOR) and matured on September 6, 2016. The $1,728.0 million Interest Rate Cap was designated as a cash flow hedge of the variability of interest payments under the U.S. Term Loans due to changes in the underlying benchmark interest rate (LIBOR) and was de-designated effective December 25, 2016. The critical terms of those Interest Rate Caps designated as cash flow hedges closely match those of the hedged portions of the Term Loans and were, or are expected to be, highly effective at offsetting changes in the hedged forecasted future interest payments associated with the hedged portions of the underlying debt.

In October 2013, we entered into four cross currency interest rate swap agreements (the Foreign Cross Currency Swaps) on a total notional amount of $335.0 million. Upon final settlement at maturity of the Foreign Cross Currency Swaps, we will pay the counterparties the Euro notional amount of €245.1 million and receive the U.S. dollar notional amount of $335.0 million. Also under the terms of the Foreign Cross Currency Swaps, we swapped U.S. dollar variable-rate interest payments on a portion of the Foreign USD Term Loans (as defined in Note 6) for an average fixed interest rate of 5.84% on a fixed Euro notional amount of €245.1 million (determined based on an average Euro forward exchange rate of 1.37). The counterparties will pay us an amount equal to the U.S. dollar notional amount multiplied by the applicable variable interest rate. We will pay the counterparties a fixed interest payment equal to the Euro notional amount multiplied by the fixed interest rate, fixing both the interest rate and the currency. The Foreign Cross Currency Swaps mature on September 30, 2018.

The Foreign Cross Currency Swaps are designated as cash flow hedges of the variability of interest payments under the Foreign USD Term Loans due to changes in the underlying benchmark interest rates (LIBOR) and the variability of the principal balance due to changes in the Euro to U.S. dollar exchange rate. The critical terms of the Foreign Cross Currency Swaps closely match those of the hedged portions of the Foreign USD Term Loans and the derivatives are expected to be highly effective at offsetting changes in the hedged forecasted future interest payments as well as foreign currency remeasurement gains and losses associated with the hedged portions of the Foreign USD Term Loans.

In September 2016, we entered into a cross currency swap (the U.S. Cross Currency Swap) on a total notional amount of $1.0 billion. Under the terms of the U.S. Cross Currency Swap, we swapped U.S. dollar variable-rate interest payments on $1.0 billion of principal of the U.S. Term Loans for a fixed interest rate of approximately 4.62% on a fixed Euro notional amount of €889.4 million (determined based on a Euro spot exchange rate of 1.12). The counterparty will pay us an amount equal to the U.S. dollar notional amount multiplied by the applicable variable interest rate. We will pay the counterparty a fixed interest payment equal to the Euro notional amount multiplied by the fixed interest rate. Upon final settlement at maturity of the U.S. Cross Currency Swap, we will pay the counterparty €444.7 million and will receive $500.0 million from the counterparty. The U.S. Cross Currency Swap matures on September 10, 2019.

Additionally, in September 2016, we entered into a deferred premium currency call option (the USD/EUR Option) with a U.S. dollar/Euro strike price of approximately 1.35. Under the terms of the USD/EUR Option, we will pay a quarterly premium at a fixed rate of 0.88% on a fixed Euro notional of €444.7 million. Upon final settlement at maturity of the USD/EUR Option, we have the option to pay the counterparty $600.0 million and to receive €444.7 million from the counterparty, limiting our exposure to changes in Euro to U.S. dollar exchange rates related to the final settlement of the U.S. Cross Currency Swap. The USD/EUR Option matures on September 10, 2019.

The Company recognizes all derivative instruments on a gross basis in the consolidated balance sheets as other long-term assets or other long-term liabilities.

Changes in the fair value of the €300.0 million Euro-denominated Interest Rate Cap, the $2,304.0 million Interest Rate Cap, the $1,728.0 million Interest Rate Cap (through December 25, 2016) and the Foreign Cross Currency Swaps are recorded in accumulated other comprehensive loss within stockholder's deficit. Hedge ineffectiveness was immaterial for all periods presented. Changes in the fair value of the €400.0 million Euro-denominated Interest Rate Cap, the $1,728.0 million Interest Rate Cap (subsequent to December 25, 2016), the U.S. Cross Currency Swap and the USD/EUR Option are recognized within other income (expense), net, in the consolidated statements of comprehensive loss.

We are exposed to credit-related losses in the event of non-performance by the counterparties to our derivative instruments, but we do not expect any counterparties to fail to meet their obligations given their high credit ratings. In addition, we diversify this risk across several counterparties.

For the years ended March 31, 2017 and 2016, we recorded net losses of $27.9 million and $16.4 million, respectively, in other expenses, net, related to our foreign currency exposures, including the effects of the Foreign Cross Currency Swaps. For the year ended March 31, 2017, other expense, net, also includes a net gain of $32.5 million related to the U.S. Cross Currency Swap and a net loss of $8.4 million related to the USD/EUR Option.

For the year ended March 31, 2017, we reclassified $20.6 million (pre-tax) out of accumulated other comprehensive loss into other income (expense), net, partially offset by a reclassification of $5.6 million (pre-tax) out of accumulated other comprehensive loss into interest expense, net. The Company expects to reclassify approximately $7.1 million, net, from accumulated other comprehensive loss into interest expense, net, related to the Company's derivative instruments in the next twelve months.

In April 2017, the Company terminated one of the Foreign Cross Currency Swaps. Refer to Note 6 for further information.

Trade Finance Receivables

A substantial portion of our trade finance receivables is transferred to financial institutions on a non-recourse basis. We utilize wholly-owned finance subsidiaries in these finance receivables transfers. These entities are consolidated into our financial position and results of operations. We account for such transfers as sales in accordance with applicable accounting rules pertaining to the transfers of financial assets and the sale of future revenue when we have surrendered control of such receivables (including determining that such assets have been isolated beyond our reach and the reach of our creditors) and when we do not have significant continuing involvement in the generation of cash flows due the financial institutions. During the years ended March 31, 2017 and 2016, we transferred $279.2 million and $250.7 million, respectively, of such receivables through these programs. Trade finance receivables are typically transferred within several months after origination and the outstanding principal balance at the time of transfer typically approximates fair value, resulting in no material gain or loss at the time of sale.

For trade finance receivables that have not been transferred, we evaluate the credit risk of trade finance receivables in our portfolio based on characteristics specific to the risk climate in each of our geographic operations as well as based on internal credit quality indicators for individual receivables. We evaluate the credit risk of trade finance receivables using an internal credit rating system based on whether an individual receivable meets specific internal criteria, including counterparty credit rating and receivable maturity date, and assign an internal credit rating of 1, 2 or 3, with a credit rating of 1 representing the best credit quality.

At March 31, 2017 and 2016, our trade finance receivables balances by region and by internal credit rating were as follows:

	March 31, 2017				
	North America	EMEA	Asia Pacific	Latin America	Total
			(In millions)		
Class 1	$37.8	$30.7	$18.2	$30.7	$117.4
Class 2	17.4	3.6	0.7	0.6	22.3
Class 3	1.8	0.1	—	0.8	2.7
Balance as of March 31, 2017	$57.0	$34.4	$18.9	$32.1	$142.4

	March 31, 2016				
	North America	EMEA	Asia Pacific	Latin America	Total
			(In millions)		
Class 1	$41.3	$12.6	$16.0	$19.1	$ 89.0
Class 2	12.0	24.5	0.3	3.9	40.7
Class 3	2.6	0.1	0.5	—	3.2
Balance as of March 31, 2016	$55.9	$37.2	$16.8	$23.0	$132.9

Fair Value Measurements

We measure certain financial instruments at fair value on a recurring basis. At March 31, 2017 and 2016, we had $12.4 million and $17.0 million of Interest Rate Cap liabilities, respectively, and Foreign Cross Currency Swap assets of $67.7 million and $45.8 million, respectively. Additionally, at March 31, 2017, we had $29.0 million of U.S. Cross Currency Swap assets and $6.1 million of USD/EUR Option liabilities. These derivative financial instruments were valued using the income approach and were classified as Level 3 financial instruments. The income approach uses valuation techniques to convert future estimated cash flows to a single present amount based on current market expectations about those future amounts. Level 3 classification is applied to assets and liabilities when prices are not derived from existing market data and requires us to develop our own assumptions about how market participants would value the asset or liability. The Company's credit spreads were significant unobservable inputs used in the fair value measurement of our derivative instruments. During the years ended March 31, 2017 and 2016, the Company's credit spread ranged from 3.9% to 8.2% and 4.0% to 8.25%, respectively.

The following table summarizes the activity in our Level 3 financial instruments:

	Year Ended March 31,							
	2017					2016		
	Interest Rate Caps	Foreign Cross Currency Swaps	U.S. Cross Currency Swap	USD/EUR Option	Total	Interest Rate Caps	Foreign Cross Currency Swaps	Total
				(In millions)				
Balance at the beginning of the period	$(17.0)	$45.8	$ —	$—	$28.8	$(19.3)	$ 64.2	$ 44.9
Change in fair value due to premiums paid (settlements received)	6.2	—	(3.5)	2.3	5.0	3.6	—	3.6
Change in fair value included in other income (expense), net	(3.7)	0.2	32.5	(8.4)	20.6	(1.3)	(0.1)	(1.4)
Change in fair value included in other comprehensive income (loss)	2.0	24.5	—	—	26.5	0.1	(22.2)	(22.1)
Change in fair value due to currency translation adjustment	0.1	(2.8)	—	—	(2.7)	(0.1)	3.9	3.8
Balance at the end of the period	$(12.4)	$67.7	$29.0	$(6.1)	$78.2	$(17.0)	$ 45.8	$ 28.8

The carrying values and fair values of our debt instruments at March 31, 2017 and 2016 are as follows:

	March 31, 2017		March 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
	(In millions)			
Senior secured Term Loans due September 2020	$3,298.2	$3,375.4	$3,341.6	$3,039.8
Senior unsecured notes due July 2021	1,595.4	1,647.3	1,590.0	1,182.2
Senior unsecured notes due June 2018	199.3	206.3	298.1	273.4
Senior unsecured notes due February 2022	34.1	23.8	33.5	16.8
Senior unsecured notes due December 2022	25.3	17.9	24.8	11.5

The Company estimates the fair value of its debt primarily using the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities, or the income approach, which uses valuation techniques to convert future estimated cash flows to a single present value based on current market expectations.

The carrying values of all other financial instruments, consisting primarily of short-term investments, trade and finance receivables, accounts payable and other borrowings, approximated their respective fair values.

(4) Property and Equipment

Property and equipment at March 31, 2017 and 2016 consisted of:

	March 31,	
	2017	2016
	(In millions)	
Computers, software, furniture and equipment	$ 187.4	$157.3
Leasehold improvements	56.9	57.8
Projects in progress	16.5	12.9
	260.8	228.0
Less accumulated depreciation and amortization	(137.9)	(94.8)
Property and equipment, net	$ 122.9	$133.2

Property and equipment includes computer equipment under capital lease arrangements with net book values of $13.2 million and $14.9 million (net of $22.8 million and $15.3 million in accumulated amortization) at March 31, 2017 and 2016, respectively. Amortization of capital lease equipment is included in depreciation and amortization expenses. Depreciation expense recorded during the years ended March 31, 2017 and 2016 was $48.1 million and $43.6 million, respectively.

During the years ended March 31, 2017 and 2016, we had non-cash additions of property and equipment of $8.4 million and $24.0 million, respectively.

(5) Intangible Assets and Goodwill

Intangible assets at March 31, 2017 and 2016 consisted of:

	March 31, 2017			March 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	(In millions)					
Developed product technology	$1,110.8	$ (613.9)	$ 496.9	$1,101.9	$ (434.9)	$ 667.0
Customer contracts and relationships	2,090.2	(836.7)	1,253.5	2,123.0	(616.1)	1,506.9
Product-related trademarks and tradenames	51.0	(12.1)	38.9	51.0	(8.7)	42.3
Corporate trademark and tradename	140.0	—	140.0	140.0	—	140.0
Total intangible assets	$3,392.0	$(1,462.7)	$1,929.3	$3,415.9	$(1,059.7)	$2,356.2

Amortization of intangible assets totaling $408.9 million and $409.6 million was included in depreciation and amortization expenses in the consolidated statements of comprehensive loss for the years ended March 31, 2017 and 2016, respectively. The weighted-average remaining life of acquired technology, customer relationships and product-related trademarks and tradenames was approximately 5.4 years at March 31, 2017.

Future amortization expense associated with our intangible assets existing at March 31, 2017 for the five succeeding fiscal years is expected to be:

	Year Ending March 31,
	(In millions)
2018	$394.7
2019	377.1
2020	319.1
2021	227.9
2022	164.0

The following table summarizes goodwill activity and the balance at March 31, 2017 and 2016 (in millions):

Balance at March 31, 2015	$4,086.2
Goodwill acquired/purchase accounting adjustments during fiscal 2016	0.2
Effect of foreign currency exchange rate changes	48.3
Balance at March 31, 2016	$4,134.7
Effect of foreign currency exchange rate changes	(44.0)
Balance at March 31, 2017	$4,090.7

(6) Long-Term Borrowings

Long-term borrowings at March 31, 2017 and 2016 consisted of the following:

	March 31, 2017	March 31, 2016
	(In millions)	
Senior secured Term Loans due September 2020	$3,366.1	$3,428.2
Senior unsecured notes due July 2021	1,625.0	1,625.0
Senior unsecured notes due June 2018	200.0	300.0
Senior unsecured notes due February 2022	37.5	37.5
Senior unsecured notes due December 2022	27.8	27.8
Capital leases and other obligations	20.6	16.6
Debt issuance costs and unamortized debt discount	(104.1)	(130.5)
Total	5,172.9	5,304.6
Less: Current portion of long-term borrowings	37.5	37.8
Current maturities of capital leases and other obligations (included in accrued liabilities)	10.3	8.1
Current portion of debt issuance costs and unamortized debt discount	(1.4)	(1.4)
Long-term borrowings	$5,126.5	$5,260.1

Future principal payments associated with our Term Loans and senior unsecured notes existing at March 31, 2017 for the succeeding fiscal years prior to the Credit Agreement Amendment (discussed below) are as follows:

	Year Ending March 31,
	(In millions)
2018	$ 37.5
2019	237.5
2020	37.5
2021	3,253.7
2022	1,662.5
2023 and beyond	27.7
Total	$5,256.4

Senior Unsecured Notes

In August 2013, we issued $1,625.0 million of senior unsecured notes due July 2021 (the 2021 Notes), pursuant to an indenture dated August 21, 2013 (the Indenture). The 2021 Notes bear interest at a rate of 8.125% per annum, payable semi-annually on January 15 and July 15 of each year. The obligations under the 2021 Notes are guaranteed by the Company's domestic subsidiaries and certain foreign subsidiaries. Upon the occurrence of a change in control (as specified in the Indenture), we must offer to purchase the 2021 Notes at a redemption price equal to 101% of the principal balance, plus accrued and unpaid interest, if any, to the date of purchase.

As part of the Acquisition, we assumed three issuances of senior unsecured notes due June 2018, February 2022 and December 2022 at their Acquisition Date fair values. The senior unsecured notes due June 2018 and December 2022 bear interest at a rate of 7.25% and 4.5% per annum (effective interest rates of 7.4% and 6.6%), respectively, payable semi-annually in June and December of each year. The senior unsecured notes due February 2022 bear interest at a rate of 4.25% per annum (effective interest rate of 6.6%), payable semi-annually in February and August of each year. These senior unsecured notes are redeemable at our option at any time at the redemption prices specified in the respective indentures and contain provisions for a put option upon a change of control, requiring us to offer to purchase the senior notes at 101% of principal plus accrued and unpaid interest.

In March 2017, we prepaid principal of $100.0 million on the senior unsecured notes due June 2018 for a total payment of $108.7 million, including a premium and accrued interest of $6.6 million and $2.1 million, respectively.

Senior Secured Term Loans

Concurrent with the closing of the Acquisition, we entered into a credit agreement, as amended (the Credit Agreement) with a syndicate of banks which provides for (i) U.S. term loans denominated in U.S. dollars in an aggregate original principal amount of $2,880.0 million (the U.S. Term Loans), (ii) foreign term loans denominated in U.S. dollars in an aggregate original principal amount of $335.0 million (the Foreign USD Term Loans) and (iii) foreign term loans denominated in Euros in an aggregate principal amount of €500.0 million (the Foreign Euro Term Loans) (collectively, the Term Loans). Concurrent with the consummation of the Acquisition, the full amount of the Term Loans was drawn. Proceeds from the Term Loans were net of a discount of $38.9 million.

The Term Loans have an initial maturity of September 2020, which may be extended in accordance with the terms of the Credit Agreement, and require quarterly principal payments equal to 0.25% of the original principal amount, payable on the last day of each quarter, with the balance payable at maturity.

At our election, the Term Loans will bear interest on the outstanding principal amount for each interest period at floating rates, as specified in the Credit Agreement, based on either the prime rate, the Federal Funds Effective Rate or the Eurocurrency Rate (each as defined), plus applicable spreads as specified in the Credit Agreement, payable in arrears on the last day of each interest period. As of March 31, 2017, the weighted-average effective interest rate for the Term Loans was 5.7%, prior to the effect of derivative instruments. As discussed in Note 3, we entered into the Interest Rate Caps to minimize the impact of increases in interest rates on interest payments associated with the Term Loans. These Interest Rate Caps limit our exposure to the Eurocurrency Rate component of interest rates on the hedged portions of the Term Loans to a maximum rate of 3.00% from February 2014 through September 2016, and a maximum rate of 5.00% from September 2016 through September 2018. Additionally, we entered into the Foreign Cross Currency Swaps on a total notional amount of $335.0 million to swap U.S. dollar variable-rate interest payments on a portion of the Term Loans for an average fixed interest rate of 5.84% on a fixed Euro notional amount of €245.1 million.

In September 2016, we entered into the U.S. Cross Currency Swap on a total notional amount of $1.0 billion to swap U.S. dollar variable-rate interest payments on a portion of the U.S. Term Loans for a fixed interest rate of approximately 4.62% on a fixed Euro notional amount of €889.4 million, and we entered into the USD/EUR Option with a U.S. dollar/Euro strike price of approximately 1.35 to swap U.S. dollars for Euros, limiting our exposure to changes in Euro to U.S. dollar exchange rates related to the U.S. Cross Currency Swap.

Subject to certain prepayment premiums and penalties and the payment of customary “breakage” costs, we may voluntarily prepay the Term Loans at any time. Subject to certain exceptions, the Term Loans are subject to mandatory prepayments in amounts equal to: i) 100% of the net proceeds (as determined in accordance with the Credit Agreement) from certain non-ordinary course sales or other dispositions of assets, ii) 100% of the net cash proceeds from the issuance or incurrence of debt (other than indebtedness permitted by the Credit Agreement) and iii) 50% of annual excess cash flow (as determined in accordance with the Credit Agreement with step-downs to 25% and 0% based upon achievement of specified first lien net leverage ratios). The obligations under the Credit Agreement are guaranteed by Parent and by certain of the Company’s domestic and foreign subsidiaries, and are secured by certain assets of certain of the Company’s domestic and foreign subsidiaries.

Revolving Loan and Letter of Credit Facilities

Additionally, the Credit Agreement provides for (i) U.S. dollar revolving loans and letters of credit (as defined) of up to $170.0 million (the U.S. Revolving Loans) and (ii) multicurrency revolving loans and letters of credit (as defined) of up to the U.S. dollar equivalent of $180.0 million (the Multicurrency Revolving Loans) (collectively, the Revolvers), subject to limitations based on a maximum first lien net leverage ratio (as defined). The U.S. dollar revolving loans and the multicurrency revolving loans have an initial maturity of September 2018, which may be extended in accordance with the terms of the Credit Agreement.

Additionally, per the terms of the Credit Agreement, we will pay certain commitment, facility, participation and fronting fees, as specified in the Credit Agreement.

As of March 31, 2017 and through the date of these financial statements, we have not borrowed any funds under the Revolvers and, as of March 31, 2017, have approximately $24.8 million in letters of credit, guarantees and similar instruments outstanding under the Credit Agreement.

Debt Covenants

The above credit facilities contain a number of customary affirmative and negative covenants that, among other things, limit or restrict our ability, subject to certain exceptions, to: incur additional indebtedness (including guarantee obligations); incur liens; engage in mergers, consolidations, liquidations and dissolutions (other than pursuant to the transactions contemplated by the Merger Agreement); sell assets; pay dividends and make other payments in respect of capital stock; make acquisitions, investments, loans and advances; pay and modify the terms of certain indebtedness; engage in certain transactions with affiliates; enter into negative pledge clauses and clauses restricting subsidiary distributions; and change our line of business. Additionally, the credit facilities contain customary events of default, including nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty when made; violation of a covenant; cross-default to material indebtedness; bankruptcy events; material unsatisfied monetary judgments; actual or asserted invalidity of any loan document and material impairment of the security and/or guarantees; and a change of control. In addition, under the Revolvers, we will be required to not exceed a specified first lien net leverage ratio (as defined) in the event that amounts outstanding under the Revolvers (excluding issued and undrawn letters of credit) exceed 30% of the commitments under the Revolvers as of the end of any fiscal quarter.

Our ability to borrow under the Credit Agreement is dependent on, among other things, our compliance with the above-described financial ratio. Failure to comply with this ratio or the other provisions of the Credit Agreement (subject to certain grace periods and customary cure rights) could, absent a waiver or an amendment from the lenders of such agreement, restrict the availability of the Revolvers and permit the acceleration of all outstanding borrowings under the Credit Agreement.

Subsequent Event

In April 2017, the Company amended the Credit Agreement (the "Credit Agreement Amendment"). The Credit Agreement Amendment extended the maturity date of the Term Loans from September 2020 to September 2022, and extended the maturity date of certain of the Revolvers from September 2018 to September 2020.

Additionally, the Credit Agreement Amendment lowered the floating rate floor of the Foreign Euro Term Loans from 1% to 0% and refinanced the outstanding principal amounts of the Term Loans as shown below:

	Principal	
	Pre-Amendment	Post-Amendment
	(In millions)	
U.S. Term Loans	$2,686.4	$2,354.1
Foreign USD Term Loans	$ 324.1	$ 284.7
Foreign Euro Term Loans	€333.8	€690.0

Also in April 2017, the Company terminated one of the Foreign Cross Currency Swaps with $50 million notional such that the total notional amounts of the remaining Foreign Cross Currency Swaps match the new principal balance of the Foreign USD Term Loans after the effects of the Credit Agreement Amendment.

(7) Deferred Revenue

Deferred revenue is comprised of deferred perpetual license, perpetual maintenance and SaaS, term license and maintenance and professional services revenue. Deferred revenue for arrangements with trade payment terms is generally recorded when the underlying contractual commitment is invoiceable and deferred revenue for arrangements that are financed is recorded based on the present value of contractually committed future payments. The balances reflect the adjustment of deferred revenue to fair value in connection with the accounting for the Acquisition. The components of deferred revenue at March 31, 2017 and 2016 were:

	March 31,	
	2017	2016
	(In millions)	
Current:		
Perpetual license	$ 98.7	$ 91.0
Perpetual maintenance and SaaS	703.7	687.3
Term license and maintenance	391.0	309.3
Professional services	35.4	37.0
	1,228.8	1,124.6
Long-term:		
Perpetual license	85.8	81.8
Perpetual maintenance and SaaS	509.0	501.8
Term license and maintenance	682.0	490.1
Professional services	5.9	6.2
Total long-term deferred revenue	1,282.7	1,079.9
Total deferred revenue	$2,511.5	$2,204.5

(8) Income Taxes

The income tax expense (benefit) for the years ended March 31, 2017 and 2016 consisted of:

	Year Ended March 31,	
	2017	2016
	(In millions)	
Current:		
Federal	$ 3.0	$ (40.1)
State	8.3	7.4
Foreign	113.6	59.9
	124.9	27.2
Deferred:		
Federal	(201.9)	(146.9)
State	(0.2)	(22.7)
Foreign	(23.3)	(12.9)
Total deferred	(225.4)	(182.5)
Income tax benefit	$(100.5)	$(155.3)

The foreign income tax provision (benefit) was based on foreign pre-tax earnings of $25.3 million and $29.1 million for the years ended March 31, 2017 and 2016, respectively. The federal income tax provision (benefit) includes the U.S. tax effects of certain foreign entities that are treated as a branch of a U.S. entity for tax purposes, and therefore, their earnings are included in the U.S. consolidated income tax return.

A reconciliation of income tax computed at the U.S. federal statutory rate of 35% to reported income tax benefit for the years ended March 31, 2017 and 2016 follows (dollars in millions):

	Year Ended March 31,			
	2017		2016	
	Amount	Percent	Amount	Percent
Benefit computed at United States statutory rate	$ (59.6)	(35.0)%	$(193.6)	(35.0)%
Change in valuation allowance	(68.5)	(40.2)%	68.8	12.4%
Effect of foreign rate differentials and foreign withholding taxes	31.3	18.4%	16.6	3.0%
Extraterritorial income	(11.8)	(6.9)%	(10.8)	(2.0)%
State income tax expense (benefit), net of federal (benefit) provision	5.4	3.2%	(9.9)	(1.8)%
Other, net	2.7	1.6%	(26.4)	(4.8)%
	$(100.5)	(59.0)%	$(155.3)	(28.1)%

The significant components of deferred tax assets and liabilities at March 31, 2017 and 2016 were:

	March 31,	
	2017	2016
	(In millions)	
Deferred tax assets:		
Tax credit carryforwards	$ 256.9	$ 204.3
Net operating loss carryforwards	48.7	131.8
Deferred revenue	85.0	30.6
Tax basis difference on investments	4.2	11.8
Compensation plans	43.6	26.1
Property and equipment, net	12.6	12.6
Other	98.4	135.1
Total gross deferred tax assets	549.4	552.3
Valuation allowance	(10.1)	(78.6)
Total deferred tax assets	539.3	473.7
Deferred tax liabilities:		
Acquired intangible assets	(535.5)	(615.5)
Outside subsidiary basis difference	(162.9)	(171.2)
Software development costs	(35.3)	(55.7)
Other	(83.6)	(136.9)
Total deferred tax liabilities	(817.3)	(979.3)
Net deferred tax liabilities	$(278.0)	$(505.6)

In evaluating our ability to realize our deferred tax assets, we consider all available evidence, both positive and negative, including our past operating results, reversals of existing temporary differences, tax planning strategies and forecasts of future taxable income. In considering these sources of taxable income, we must make certain assumptions and judgments that are based on the plans and estimates used to manage our underlying business. Changes in our assumptions, plans and estimates may materially impact our income tax benefit.

We maintain a valuation allowance against certain tax credits and net operating and capital loss carryforwards that we do not believe are more likely than not to be utilized in the future. The valuation allowance decreased by $68.5 million and increased by $67.9 million during the years ended March 31, 2017 and 2016, respectively. These changes to the valuation allowance are primarily due to changes in estimates of the utilization of foreign tax credits. At March 31, 2017, we have federal net operating loss carryforwards of $114.9 million, foreign tax credit carryforwards of $235.9 million, research and development tax credit carryforwards of $8.7 million and foreign net operating loss carryforwards of $17.9 million, which expire between fiscal 2018 and fiscal 2036. Certain of the federal net operating loss carryforward assets are subject to an annual limitation under Internal Revenue Code Section 382, but are expected to be fully realized. The capital loss carryforward is subject to expiration after the five year limitation and will expire in fiscal 2021.

We provide deferred taxes for temporary differences related to investments in foreign subsidiaries unless the foreign subsidiaries are considered to be indefinitely reinvesting their earnings outside the United States. During the years ended March 31, 2017 and 2016, we did not consider any of our foreign subsidiaries' earnings to be indefinitely reinvested outside the United States.

We carry out our business operations through legal entities in the United States and multiple foreign jurisdictions. These jurisdictions require that we file corporate income tax returns that are subject to U.S., state and foreign tax laws. We are subject to routine corporate income tax audits in these multiple jurisdictions.

Our tax years are closed with the U.S. Internal Revenue Service (the IRS) through the tax year ended March 31, 2012. In June 2015, the favorable decision of the Court of Appeals related to the year ended March 31, 2006 became final, and a refund of $18.7 million, which includes both tax and interest, was received from the IRS during the year ended March 31, 2017. In addition, certain tax years related to local, state and foreign jurisdictions remain subject to examination. To provide for potential tax exposures, we maintain a liability for unrecognized tax benefits which we believe is adequate.

On October 11, 2016, the Spanish Supreme Court rendered an unfavorable ruling against the Company regarding Spanish Non Resident Income Tax derived from payments carried out by Spanish tax resident customers. As a result, the Company recorded additional tax expense of approximately $15 million, including related penalties and interest, during the year ended March 31, 2017.

We recognize interest and penalties related to uncertain tax positions within benefit for income taxes. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period in which such determination is made. We recognized a net benefit of $1.3 million and $14.1 million related to interest and penalties during the years ended March 31, 2017 and 2016, respectively. The total amount of accrued interest and penalties related to uncertain tax positions was $14.1 million and $14.3 million at March 31, 2017 and 2016, respectively. The total amount of tax accrued related to uncertain tax positions was $29.5 million and $26.5 million at March 31, 2017 and 2016, respectively.

(9) Share-Based Compensation

Parent has issued stock options to executives and other employees of the Company which primarily vest in annual increments over four or five years, with a term of ten years. These grants consist of stock options that are half time-based (the time-vesting options) and half which contain service, performance and market conditions (the performance-vesting options). The time-vesting options vest in annual increments assuming continued employment, with accelerated vesting in the event of a change of control. The performance-vesting options also vest in annual increments, assuming continued employment, the occurrence of a liquidity event and the achievement of target investor returns. Additionally, there are provisions for partial vesting for both time-vesting and performance-vesting options in the event of termination of employment in certain circumstances as set forth in the terms of the award. The options are exercisable for Class B non-voting common stock of Parent. Both the time-vesting options and the performance-vesting options contain certain repurchase features that allow Parent to repurchase shares acquired by the employee through the exercise of the options, contingent upon the employee's separation from the Company.

Additionally, the Company issues long-term incentive awards with share settlement features to certain employees (the LTIP Awards). The LTIP Awards consist of both time-based awards, which vest 1/3 per year over three years, and performance-based awards, which vest 1/3 per year over three years, further adjusted from 0% to 200% of the target payout based on the achievement of certain financial metrics. The LTIP Awards are settled in cash unless the Company, any affiliate of the Company or any successor entity to the Company is a publicly-traded company, in which case the LTIP Awards are settled in stock, and therefore, the expense associated with the LTIP Awards is classified as share-based compensation expense.

In April 2014, Parent paid a dividend to its stockholders of $56.1959 per share. In connection with this dividend, the exercise price of the performance-vesting options outstanding at the date of the dividend was adjusted to reflect the effects of the dividend. The outstanding time-vesting options were modified to provide for future cash settlement of a portion of the award representing the amount by which the exercise price would have been adjusted to reflect the dividend. In connection with this modification, these time-vesting option holders received rights to future cash payments totaling approximately $35 million, representing the equivalent of the exercise price adjustment, payable annually over the original vesting term of the award, with the first payment accelerated to May 2014. The cash payments are obligations of Parent and are accounted for by the Company as share-based compensation expense in the consolidated statements of comprehensive loss, and as noncash capital contributions.

During the year ended March 31, 2017, we had stock option activity as follows:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual
	(In millions)		(In years)
Outstanding at March 31, 2016	1.7	$ 80	8.3
Granted	0.5	$113	
Forfeited	0.1	$ 78	
Outstanding at March 31, 2017	2.1	$ 87	7.8
Vested as of March 31, 2017 and expected to vest	1.9	$ 88	7.8
Exercisable at March 31, 2017	0.4	$ 95	7.1

Share-based compensation costs for time-vesting options are based on the fair value calculated from the Black-Scholes option pricing model on the date of grant and for the performance-vesting options, are based on the grant date fair value calculated from the Monte Carlo simulation model. The grant-date fair values of the time-vesting options are recorded as compensation expense on a straight-line basis over the entire vesting period of the awards, with an evaluation done on each vesting date to true up the expense, if necessary, to at least equal the grant-date fair value of the vested portion of the award. The performance-vesting options are expensed using the accelerated method over the vesting period.

The fair values of stock options granted during the years ended March 31, 2017 and 2016 were estimated using the Black-Scholes option pricing model and Monte Carlo simulation model with the following assumptions:

	Year Ended March 31,	
	2017	**2016**
Expected volatility of Boxer Parent Company Inc.	73%	80%
Risk-free interest rate	1.7%	1.9%
Expected term (in years)	6.5	6.6
Dividend yield	0%	0%

We estimate the expected volatility using similar public entities' historical volatility (as well as BMC's historical volatility as a public company), adjusted for the Company's capital structure, for a period of time commensurate with the expected term of the options. The expected term of the options granted has been derived using the simplified method, which calculates the expected term as the midpoint between the vesting date and the end of the contractual term, as the Company does not have sufficient historical exercise data. We estimate the risk-free interest rate based on yields of U.S. Treasury securities with a maturity corresponding to the expected term of the options. We assume a dividend yield of zero, as there is no intent to pay future dividends.

The weighted-average grant date fair value of options granted during the years ended March 31, 2017 and 2016 was $103.29 and $52.78, respectively.

The activity for the LTIP Awards during the year ended March 31, 2017 was as follows:

LTIP Awards	**Amounts**	**Weighted-Average Remaining Vesting Term**
	(In millions)	**(In years)**
Granted	$45.8	
Vested	(4.7)	
Forfeited	(3.1)	
Unvested at March 31, 2017	$38.0	1.4

Share-based compensation costs for LTIP Awards are based on the target payout amount and are recognized on a straight-line basis over the vesting period of the award. The expense associated with performance-based LTIP Awards is adjusted for the expected achievement of the performance condition each period. During the year ended March 31, 2017, we recorded share-based compensation expense of $8.8 million associated with the LTIP Awards.

Parent issues Class B common shares from treasury shares upon the exercise of stock options. At March 31, 2017 and 2016, there were 2.3 million and 2.0 million Class B common shares, respectively, available for issuance by Parent under our share-based compensation plans. The Company paid $4.9 million and $15.1 million during the years ended March 31, 2017 and 2016, respectively, to settle share-based awards.

Share-based compensation expense as recorded in our consolidated statements of comprehensive loss is summarized as follows:

	Year Ended March 31,	
	2017	2016
	(In millions)	
Cost of license, maintenance and SaaS revenue	$ 8.0	$ 6.7
Cost of professional services revenue	1.3	1.2
Selling and marketing expenses	10.8	7.2
Research and development expenses	7.5	3.3
General and administrative expenses	12.5	9.7
Total share-based compensation expense	$ 40.1	$ 28.1
Income tax benefit	(11.7)	(10.5)
Total share-based compensation expense after taxes	$ 28.4	$ 17.6

At March 31, 2017, we had approximately $102.0 million of total unrecognized compensation costs related to share-based awards that are expected to be recognized as expense over a remaining weighted-average period of approximately 2.78 years.

(10) Gain on Patent Litigation, Net

We were previously the plaintiff in three patent infringement lawsuits against ServiceNow, Inc. (ServiceNow), a provider of IT service management software, alleging infringement of multiple patents issued to us. In April 2016, we entered into a confidential settlement agreement (the Settlement Agreement) with ServiceNow to resolve the patent infringement litigation. Under the terms of the Settlement Agreement, ServiceNow agreed to pay us $250 million in settlement of all claims brought against ServiceNow in these patent infringement suits; the parties each provided a general release from all past claims, including claims related to infringement of all patents in dispute; and the parties entered into a covenant not to sue for patent infringement for a term of three years. The one-time settlement payment was received by us in April 2016 and, after deducting related contingent legal fees payable to our attorneys, amounted to $215.0 million. The settlement proceeds, net of related contingent legal fees, are reflected as gain on patent litigation, net in the consolidated statement of comprehensive loss for the year ended March 31, 2017.

(11) Retirement Plan

We sponsor a 401(k) plan that is available to substantially all U.S. employees. The plan provides for an employer match element with annual per-employee limitations that we have changed and may change from time to time. The costs of our matching contributions amounted to $13.9 million and $14.3 million during the years ended March 31, 2017 and 2016, respectively. Employees become 100% vested in the employer match contributions upon reaching two years of service from date of hire.

(12) Guarantees and Contingencies

Guarantees

Under our standard software license agreements, we agree to indemnify, defend and hold harmless our licensees from and against certain losses, damages and costs arising from claims alleging the licensees' use of our software infringes the intellectual property rights of a third party. Also, under these standard license agreements, we represent and warrant to licensees that our software products operate substantially in accordance with published specifications.

Other guarantees include promises to indemnify, defend and hold harmless each of our executive officers, non-employee directors and certain key employees from and against losses, damages and costs incurred by each such individual in administrative, legal or investigative proceedings arising from alleged wrongdoing by the individual while acting in good faith within the scope of his or her job duties on our behalf.

We also had outstanding letters of credit, guarantees and similar instruments at March 31, 2017 of approximately $42.3 million (including $24.8 million outstanding under the Credit Agreement), primarily in support of performance obligations to various customers, but also related to facilities and other obligations.

Historically, we have not incurred significant costs related to such indemnifications, warranties and guarantees. As such, and based on other factors, no provision or accrual for these items has been made.

Lease Commitments

We lease office space and equipment under various non-cancelable operating leases. Rent expense is recognized on a straight-line basis over the respective lease terms and amounted to $53.3 million and $68.9 million during the years ended March 31, 2017 and 2016, respectively.

The following table summarizes future minimum rental payments to be made under non-cancelable operating leases and minimum sublease payments to be received under non-cancelable subleases, each with initial or remaining terms in excess of one year, at March 31, 2017:

	Year Ending March 31,
	(In millions)
2018	$ 28.4
2019	23.3
2020	18.8
2021	15.4
2022	11.8
2023 and thereafter	33.9
Total minimum rental payments	131.6
Total minimum sublease payments	(2.0)
Total net minimum rental payments	$129.6

We have procured certain equipment under non-cancelable capital lease arrangements. The current and long-term portions of these capital lease obligations, which are included in accrued liabilities and long-term borrowings, respectively, in our consolidated balance sheets, were $7.1 million and $7.5 million, respectively, at March 31, 2017, and $8.1 million and $8.5 million, respectively, at March 31, 2016. At March 31, 2017, future minimum payments to be made under these capital leases are $7.9 million, $5.4 million and $2.3 million in fiscal 2018, 2019 and 2020, respectively.

Contingencies

We are party to various labor claims brought by certain former international employees alleging that amounts are due to such employees for unpaid commissions and other compensation. The claims are in various stages and are not expected to be fully resolved in the near future; however, we intend to vigorously contest all of the claims. Taking into account accruals we have recorded, we believe the likelihood of a material adverse effect on our financial statements resulting from these claims is remote. However, we cannot predict the timing or ultimate outcome of these matters.

We are litigating a matter in Brazilian courts as to whether a tax applies to the remittance of software payments from our Brazilian operations. In February 2007, a law was enacted that clarified that this particular tax did not apply to the remittance of software payments, retroactive to January 1, 2006. We continue to pursue a favorable resolution on this matter for years prior to January 1, 2006. While we believe we will ultimately prevail based on the merits of our position, if we do not, we could incur a charge of up to approximately $7 million based on current foreign currency exchange rates; however, we cannot predict the timing or ultimate outcome of this matter.

Additionally, we are subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. Taking into account accruals we have recorded, we believe the likelihood of a material adverse effect on our financial statements resulting from any of these matters is remote.

(13) Severance and Other Restructuring Charges

We continue to conduct company-wide operational reviews to streamline our operations and reallocate resources to strategic areas of our business, which have resulted in workforce reductions.

Activity within the accrual for severance and related costs during the years ended March 31, 2017 and 2016, resulting from these initiatives, is summarized as follows:

	Year Ended March 31, 2017	Year Ended March 31, 2016
	(In millions)	
Beginning balance	$ 6.5	$ 12.1
Charged to expense	10.3	18.0
Adjustments to estimates	(1.0)	(0.6)
Cash payments	(11.4)	(23.0)
Ending balance	$ 4.4	$ 6.5

Severance and related costs charged to expense related to these initiatives during the year ended March 31, 2017 were primarily recorded within selling and marketing expenses, research and development expenses, cost of professional services and cost of license, maintenance and SaaS revenue in the amounts of $4.4 million, $1.9 million, $1.3 million and $1.2 million respectively. Severance and related costs charged to expense related to these initiatives during the year ended March 31, 2016 were recorded within selling and marketing expenses, research and development expenses, cost of professional services, cost of license, maintenance and SaaS revenue and general and administrative expenses in the amounts of $5.5 million, $5.0 million, $3.3 million, $3.1 million and $1.1 million, respectively.

The accruals for severance and related costs at March 31, 2017 primarily represent the amounts to be paid related to severance for employees who have been terminated or identified for termination as a result of the initiatives described above. These amounts are primarily expected to be paid during the fiscal year ending March 31, 2018. We continue to review the impact of these actions and will determine if, based on future operating results, additional actions to reduce operating expenses are necessary. The amount of any potential future charges for such actions will depend upon the nature, timing and extent of those actions.

(14) Related Party Transactions

We entered into an advisory and payment agreement effective September 10, 2013 with certain of the Sponsors to provide management, consulting and advisory services to the Company. The agreement has an initial term of ten years. Under the terms of the agreement, we are required to make quarterly payments of $2.5 million (subject to adjustment based on Consolidated EBITDA, as defined), plus reimbursement of out-of-pocket expenses, which are included in general and administrative expenses in the consolidated statements of comprehensive loss and totaled $11.1 million and $10.7 million for the years ended March 31, 2017 and 2016, respectively. Additionally, the agreement requires additional payments in the event of certain transactions such as a merger, disposition of assets, recapitalization, refinancing or other transactions as defined in the agreement. No such additional payments have been made under the agreement.

During the year ended March 31, 2017, the Company purchased $146.1 million of certain Senior Contingent Cash Pay Notes due 2019 issued by Parent (the PIK Notes) in the open market for $124.6 million, including accrued interest. The PIK Notes are being held by the Company as permitted investments under the terms of the Credit Agreement and bond indentures, and the purchases were accounted for by the Company as a direct reduction of stockholder's equity. We have elected and intend to continue to elect to suppress, on each interest payment date, the interest payments due to us under the PIK Notes.

Additionally, we declare cash dividends or make loans to Parent from time to time for debt servicing or other liquidity requirements of Parent, subject to limitations prescribed by the Company's debt agreements. During the years ended March 31, 2017 and 2016, the Company paid cash dividends to Parent totaling $73.8 million and $72.5 million, respectively.

BMC SOFTWARE FINANCE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	September 30, 2017	March 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 579.2	$ 628.4
Trade accounts receivable, net	303.4	520.4
Trade finance receivables, net	40.4	86.8
Other current assets	140.0	100.1
Total current assets	1,063.0	1,335.7
Property and equipment, net	129.2	122.9
Software development costs, net	65.1	94.3
Long-term trade finance receivables, net	37.3	55.6
Intangible assets, net	1,772.8	1,929.3
Goodwill	4,214.1	4,090.7
Deferred tax assets, net	19.7	40.7
Other long-term assets	111.9	217.7
Total assets	$7,413.1	$7,886.9
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities:		
Trade accounts payable	$ 23.7	$ 23.5
Finance payables	2.4	8.2
Accrued liabilities	235.5	320.8
Deferred revenue	1,154.0	1,228.8
Current portion of long-term borrowings	233.4	36.1
Total current liabilities	1,649.0	1,617.4
Long-term deferred revenue	1,168.6	1,282.7
Deferred tax liabilities, net	207.0	318.7
Long-term borrowings	4,992.4	5,126.5
Other long-term liabilities	129.6	110.1
Total liabilities	8,146.6	8,455.4
Stockholder's deficit	(733.5)	(568.5)
Total liabilities and stockholder's deficit	$7,413.1	$7,886.9

The accompanying notes are an integral part of these condensed consolidated financial statements.

BMC SOFTWARE FINANCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In millions)
(Unaudited)

	Six Months Ended September 30, 2017	Six Months Ended September 30, 2016
Revenue:		
Perpetual license	$ 142.9	$ 141.7
Perpetual maintenance and SaaS	459.8	445.9
Term license and maintenance	220.1	175.3
Professional services	49.8	52.4
Total revenue	872.6	815.3
Operating expenses:		
Cost of license, maintenance and SaaS revenue	115.2	117.2
Cost of professional services revenue	44.1	48.0
Selling and marketing expenses	264.1	266.9
Research and development expenses	72.9	85.0
General and administrative expenses	82.7	81.1
Depreciation and amortization expenses	260.3	265.2
Gain on patent litigation, net	—	(215.0)
Total operating expenses	839.3	648.4
Operating income	33.3	166.9
Other expense, net:		
Other expense, net	(70.6)	(9.0)
Interest expense, net	(189.2)	(186.6)
Total other expense, net	(259.8)	(195.6)
Loss before income taxes	(226.5)	(28.7)
Provision (benefit) for income taxes	(85.8)	16.0
Net loss	$(140.7)	$ (44.7)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment, net of tax	(11.3)	1.8
Unrealized gain (loss) on cash flaw hedges, net of tax	(30.7)	4.9
Reclassification adjustment on cash flow hedges	34.5	(1.0)
Total other comprehensive income (loss)	(7.5)	5.7
Total comprehensive loss	$(148.2)	$ (39.0)

The accompanying notes are an integral part of these condensed consolidated financial statements.

BMC SOFTWARE FINANCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Six Months Ended September 30,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$(140.7)	$ (44.7)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expenses	260.3	265.2
Amortization of debt issuance costs and other	33.3	14.3
Deferred income tax benefit	(113.6)	(15.4)
Unrealized loss on derivative instruments	54.9	12.2
Non-cash compensation expense	14.8	18.2
Changes in operating assets and liabilities	(72.3)	10.6
Net cash provided by operating activities	36.7	260.4
Cash flows from investing activities:		
Payments for property and equipment	(26.5)	(28.8)
Capitalization of software development costs	(5.2)	(12.0)
Cash paid for premiums on derivative instruments, net	(3.8)	—
Maturities of investments	—	5.0
Net cash used in investing activities	(35.5)	(35.8)
Cash flows from financing activities:		
Repayments related to Term Loan refinancing	(629.9)	—
Proceeds from Term Loan refinancing, net of debt issuance costs	620.2	—
Repayments of borrowings and capital lease obligations	(38.1)	(24.0)
Proceeds from termination of derivative instrument	10.3	—
Purchases of Parent debt	—	(124.6)
Dividends paid to Parent	(32.4)	(46.5)
Net cash used in financing activities	(69.9)	(195.1)
Effect of exchange rate changes on cash and cash equivalents	19.5	1.1
Net change in cash and cash equivalents	(49.2)	30.6
Cash and cash equivalents, beginning of period	628.4	410.0
Cash and cash equivalents, end of period	$ 579.2	$ 440.6
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 161.7	$ 168.2
Cash paid for income taxes, net	$ 37.2	$ 23.7

The accompanying notes are an integral part of these condensed consolidated financial statements.

BMC SOFTWARE FINANCE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Summary of Significant Accounting Policies

Basis of Presentation

On September 10, 2013 (the Acquisition Date), BMC Software, Inc. (BMC) was acquired (the Acquisition) by Boxer Parent Company Inc. (Parent), pursuant to an Agreement and Plan of Merger dated May 6, 2013 (as amended, the Merger Agreement), through Parent's subsidiary, BMC Software Finance, Inc. (the Company). The Company is a Delaware corporation affiliated with Bain Capital Private Equity, LP, Golden Gate Private Equity, Inc., Insight Venture Management, LLC, a company affiliated with GIC (Ventures) Pte. Ltd. and Elliott Management Corporation (together, the Sponsors). The Company has 1,000 shares of $0.01 par value common stock authorized for issuance and outstanding, which are held by Parent. Unless otherwise stated or unless the context otherwise requires, "we," "us" and "our" refer to BMC Software Finance, Inc. and its consolidated subsidiaries.

The accompanying condensed consolidated financial statements include our accounts and the accounts of our subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to the prior period financial information to conform to the current year's presentation. We have evaluated subsequent events through November 2, 2017, the date of these financial statements.

Interim results are not necessarily indicative of results for a full year. Our results reflect the seasonality of our business and generally tend to be stronger in the third and fourth quarters of our fiscal year, as compared to the first and second quarters of our fiscal year; however, general economic conditions also have an impact on our business and financial results. These financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the fiscal year ended March 31, 2017.

(2) Financial Instruments

Cash and cash equivalents

Our cash and cash equivalents were comprised of the following:

	September 30, 2017	March 31, 2017
	(In millions)	
Cash on hand	$466.6	$530.7
Certificates of deposit	93.2	73.6
Restricted cash	19.4	24.1
Total cash and cash equivalents	$579.2	$628.4

Derivative Financial Instruments

In order to minimize the impact of increases in interest rates on interest payments associated with our variable-rate U.S. Term Loans and Foreign Euro Term Loans (as defined in Note 3), we have entered into certain interest rate cap agreements (the Interest Rate Caps), the terms of which are as follows:

Notional	€400.0 million	€300.0 million	$2,304.0 million	$1,728.0 million
Effective Date	February 6, 2014	September 5, 2016	February 6, 2014	September 6, 2016
Maturity Date	September 3, 2016	September 3, 2018	September 6, 2016	September 4, 2018
Strike Rate	3.00%	5.00%	3.00%	5.00%
Index	3-month EURIBOR	3-month EURIBOR	3-month USD-LIBOR-BBA	3-month USD-LIBOR-BBA

The Interest Rate Caps have quarterly interest rate reset dates. To the extent the index interest rate exceeds the strike rate on an interest rate reset date, the counterparty will pay us an amount equal to the notional amount of the Interest Rate Cap multiplied by the amount by which the index interest rate exceeds the Interest Rate Cap's strike rate.

The €400.0 million Euro-denominated Interest Rate Cap was not designated as a hedge for accounting purposes during the six months ended September 30, 2016 and matured on September 3, 2016. The €300.0 million Euro-denominated Interest Rate Cap is designated as a cash flow hedge of the variability of interest payments under the Foreign Euro Term Loans due to changes in the underlying benchmark interest rate (EURIBOR). The $2,304.0 million Interest Rate Cap was designated as a cash flow hedge of the variability of interest payments under the U.S. Term Loans due to changes in the underlying benchmark interest rate (LIBOR) and matured on September 6, 2016. The $1,728.0 million Interest Rate Cap was designated as a cash flow hedge of the variability of interest payments under the U.S. Term Loans due to changes in the underlying benchmark interest rate (LIBOR) and was de-designated effective December 25, 2016. The critical terms of those Interest Rate Caps designated as cash flow hedges closely match those of the hedged portions of the Term Loans and the derivative instruments were, or are expected to be, highly effective at offsetting changes in the hedged forecasted future interest payments associated with the hedged portions of the underlying debt.

In October 2013, we entered into four cross currency interest rate swap agreements (the Foreign Cross Currency Swaps) on a total notional amount of $335.0 million. During the six months ended September 30, 2017, the Company terminated one of the Foreign Cross Currency Swaps with a notional amount of $50.0 million for proceeds of $10.3 million, representing the fair value of the swap on the termination date. The total notional amounts of the remaining Foreign Cross Currency Swaps match the outstanding principal balance of the Foreign USD Term Loans (as defined in Note 3) after the effects of the Credit Agreement Amendment (as defined in Note 3). Refer to Note 3 for further information. Under the terms of the remaining Foreign Cross Currency Swaps, upon final settlement at maturity, we will pay the counterparties the Euro notional amount of €208.5 million and receive the U.S. dollar notional amount of $285.0 million. Also under the terms of the remaining Foreign Cross Currency Swaps, we swapped U.S. dollar variable-rate interest payments on a portion of the Foreign USD Term Loans for an average fixed interest rate of 5.84% on a fixed Euro notional amount of €208.5 million (determined based on an average Euro forward exchange rate of 1.37). The counterparties will pay us an amount equal to the U.S. dollar notional amount multiplied by the applicable variable interest rate. We will pay the counterparties a fixed interest payment equal to the Euro notional amount multiplied by the fixed interest rate, fixing both the interest rate and the currency. The Foreign Cross Currency Swaps mature on September 30, 2018.

The Foreign Cross Currency Swaps are designated as cash flow hedges of the variability of interest payments under the Foreign USD Term Loans due to changes in the underlying benchmark interest rates (LIBOR) and the variability of the principal balance due to changes in the Euro to U.S. dollar exchange rate. The critical terms of the Foreign Cross Currency Swaps closely match those of the hedged portions of the Foreign USD Term Loans and the derivative instruments were, or are expected to be, highly effective at offsetting changes in the hedged forecasted future interest payments as well as foreign currency remeasurement gains and losses associated with the hedged portions of the Foreign USD Term Loans.

In September 2016, we entered into a cross currency swap (the U.S. Cross Currency Swap) with a total notional amount of $1.0 billion. Under the terms of the U.S. Cross Currency Swap, we swapped U.S. dollar variable-rate interest payments on $1.0 billion of principal of the U.S. Term Loans for a fixed interest rate of approximately 4.62% on a fixed Euro notional amount of €889.4 million (determined based on a Euro spot exchange rate of 1.12). The counterparty will pay us an amount equal to the U.S. dollar notional amount multiplied by the applicable variable interest rate. We will pay the counterparty a fixed interest payment equal to the Euro notional amount multiplied by the fixed interest rate. Upon final settlement at maturity of the U.S. Cross Currency Swap, we will pay the counterparty €444.7 million and will receive $500.0 million from the counterparty. The U.S. Cross Currency Swap matures on September 10, 2019.

Additionally, in September 2016, we entered into a deferred premium currency call option (the USD/EUR Option) with a U.S. dollar/Euro strike price of approximately 1.35. Under the terms of the USD/EUR Option, we pay a quarterly premium at a fixed rate of 0.88% on a fixed Euro notional of €444.7 million. Upon final settlement at maturity of the USD/EUR Option, we have the option to pay the counterparty $600.0 million and to receive €444.7 million from the counterparty, limiting our exposure to changes in Euro to U.S. dollar exchange rates related to the final settlement of the U.S. Cross Currency Swap. The USD/EUR Option matures on September 10, 2019.

Changes in the fair value of the €300.0 million Euro-denominated Interest Rate Cap, the $1,728.0 million Interest Rate Cap (through December 25, 2016) and the Foreign Cross Currency Swaps are recorded in accumulated other comprehensive loss within stockholder's deficit. Hedge ineffectiveness was immaterial for all periods presented. Changes in the fair value of the €400.0 million Euro-denominated Interest Rate Cap, the $1,728.0 million Interest Rate Cap (subsequent to December 25, 2016), the U.S. Cross Currency Swap and the USD/EUR Option are recognized within other expense, net, in the condensed consolidated statements of comprehensive loss.

We are exposed to credit-related losses in the event of non-performance by the counterparties to our derivative instruments, but we do not expect any counterparties to fail to meet their obligations given their high credit ratings. In addition, we diversify this risk across several counterparties.

For the six months ended September 30, 2017 and 2016, we recorded net losses of $15.4 million and $3.6 million, respectively, in other expense, net, related to our foreign currency exposures, including the effects of the Foreign Cross Currency Swaps. For the six months ended September 30, 2017, other expense, net, also includes a net loss of $57.8 million related to the U.S. Cross Currency Swap and a net gain of $3.2 million related to the USD/EUR Option. For the six months ended September 30, 2016, other expense, net, includes net losses of $7.9 million and $1.7 million related to the U.S. Cross Currency Swap and the USD/EUR Option, respectively.

For the six months ended September 30, 2017, we reclassified losses of $30.3 million and $4.2 million (pre-tax) out of accumulated other comprehensive loss into other expense, net and interest expense, net, respectively. For the six months ended September 30, 2016, we reclassified a gain of $4.1 million and a loss of $3.1 million (pre-tax) out of accumulated other comprehensive loss into other expense, net and interest expense, net, respectively. The Company expects to reclassify losses of approximately $14.9 million, net, from accumulated other comprehensive loss into interest expense, net, related to the Company's derivative instruments in the next twelve months.

Trade Finance Receivables

A substantial portion of our trade finance receivables is transferred to financial institutions on a non-recourse basis. We utilize wholly-owned finance subsidiaries in these finance receivables transfers. These entities are consolidated into our financial position and results of operations. We account for such transfers as sales in accordance with applicable accounting rules pertaining to the transfers of financial assets and the sale of future revenue when we have surrendered control of such receivables (including determining that such assets have been isolated beyond our reach and the reach of our creditors) and when we do not have significant continuing involvement in the generation of cash flows due the financial institutions. During the six months ended September 30, 2017 and 2016, we transferred $53.5 million and $125.1 million, respectively, of such receivables through these programs. Trade finance receivables are typically transferred within several months after origination and the outstanding principal balance at the time of transfer typically approximates fair value, resulting in no material gain or loss at the time of sale.

For trade finance receivables that have not been transferred, we evaluate the credit risk of trade finance receivables in our portfolio based on characteristics specific to the risk climate in each of our geographic operations as well as based on internal credit quality indicators for individual receivables. We evaluate the credit risk of trade finance receivables using an internal credit rating system based on whether an individual receivable meets specific internal criteria, including counterparty credit rating and receivable maturity date, and assign an internal credit rating of 1, 2 or 3, with a credit rating of 1 representing the best credit quality.

At September 30, 2017 and March 31, 2017, our trade finance receivables balances by region and by internal credit rating were as follows:

	September 30, 2017				
	North America	EMEA	Asia Pacific	Latin America	Total
			(In millions)		
Class 1	$12.2	$ 9.6	$17.3	$28.7	$ 67.8
Class 2	2.2	3.4	0.5	1.8	7.9
Class 3	1.1	—	—	0.9	2.0
Balance as of September 30, 2017	$15.5	$13.0	$17.8	$31.4	$ 77.7

	March 31, 2017				
	North America	EMEA	Asia Pacific	Latin America	Total
			(In millions)		
Class 1	$37.8	$30.7	$18.2	$30.7	$117.4
Class 2	17.4	3.6	0.7	0.6	22.3
Class 3	1.8	0.1	—	0.8	2.7
Balance as of March 31, 2017	$57.0	$34.4	$18.9	$32.1	$142.4

Fair Value Measurements

We measure certain financial instruments at fair value on a recurring basis. These derivative financial instruments were valued using the income approach and were classified as Level 3 financial instruments. The income approach uses valuation techniques to convert future estimated cash flows to a single present amount based on current market expectations about those future amounts. Level 3 classification is applied to assets and liabilities when prices are not derived from existing market data and requires us to develop our own assumptions about how market participants would value the asset or liability. The Company's credit spreads were significant unobservable inputs used in the fair value measurement of our derivative instruments. During the six months ended September 30, 2017 and the year ended March 31, 2017, the Company's credit spread ranged from 3.2% to 4.5% and 3.9% to 8.2%, respectively.

The following table summarizes the activity in our Level 3 financial instruments:

	Six Months Ended September 30,									
	2017					2016				
	Interest Rate Caps	Foreign Cross Currency Swaps	U.S. Cross Currency Swap	USD/EUR Option	Total	Interest Rate Caps	Foreign Cross Currency Swaps	U.S. Cross Currency Swap	USD/ EUR Option	Total
	(In millions)									
Balance at the beginning of the period	$(12.4)	$ 67.7	$ 29.0	$(6.1)	$ 78.2	$(17.0)	$45.8	$—	$—	$ 28.8
Change in fair value due to premiums paid (settlements received)	4.4	(10.7)	(2.3)	2.3	(6.3)	1.8	—	(0.2)	0.2	1.8
Change in fair value included in other income (expense), net	(0.5)	0.2	(57.8)	3.2	(54.9)	(2.6)	—	(7.9)	(1.7)	(12.2)
Change in fair value included in other comprehensive income (loss)	0.3	(28.8)	—	—	(28.5)	1.5	4.8	—	—	6.3
Change in fair value due to currency translation adjustment	(0.3)	5.5	—	—	5.2	—	(0.6)	—	—	(0.6)
Balance at the end of the period	$ (8.5)	$ 33.9	$(31.1)	$(0.6)	$ (6.3)	$(16.3)	$50.0	$(8.1)	$(1.5)	$ 24.1

At September 30, 2017 and March 31, 2017, the fair values of our derivative instruments in the accompanying condensed consolidated balance sheets were as follows:

	September 30, 2017					March 31, 2017				
	Interest Rate Caps	Foreign Cross Currency Swaps	U.S. Cross Currency Swap	USD/ EUR Option	Total	Interest Rate Caps	Foreign Cross Currency Swaps	U.S. Cross Currency Swap	USD/ EUR Option	Total
	(In millions)									
Other current assets	$—	$33.9	$ —	$—	$ 33.9	$ —	$ —	$ —	$—	$ —
Other long-term assets	—	—	—	—	—	—	67.7	29.0	—	96.7
Accrued liabilities	(8.5)	—	—	—	(8.5)	—	—	—	—	—
Other long-term liabilities	—	—	(31.1)	(0.6)	(31.7)	(12.4)	—	—	(6.1)	(18.5)

The carrying values and fair values of our debt instruments at September 30, 2017 and March 31, 2017 were as follows:

	September 30, 2017		March 31, 2017	
	Carrying value	Fair value	Carrying value	Fair value
	(In millions)			
Senior secured Term Loans due September 2022	$3,359.7	$3,466.9	$3,298.2	$3,375.4
Senior unsecured notes due July 2021	1,598.2	1,675.8	1,595.4	1,647.3
Senior unsecured notes due June 2018	199.6	203.6	199.3	206.3
Senior unsecured notes due February 2022	34.5	30.6	34.1	23.8
Senior unsecured notes due December 2022	25.5	22.7	25.3	17.9

The Company estimates the fair value of its debt primarily using the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities, or the income approach, which uses valuation techniques to convert future estimated cash flows to a single present value based on current market expectations.

The carrying values of all other financial instruments, consisting primarily of trade and finance receivables, accounts payable and other borrowings, approximated their respective fair values.

(3) Long-Term Borrowings

Long-term borrowings at September 30, 2017 and March 31, 2017 consisted of the following:

	September 30, 2017	March 31, 2017
	(In millions)	
Senior secured Term Loans due September 2022	$3,422.0	$3,366.1
Senior unsecured notes due July 2021	1,625.0	1,625.0
Senior unsecured notes due June 2018	200.0	200.0
Senior unsecured notes due February 2022	37.5	37.5
Senior unsecured notes due December 2022	27.8	27.8
Capital leases and other obligations	19.6	20.6
Debt issuance costs and unamortized debt discount	(94.8)	(104.1)
Total	5,237.1	5,172.9
Less: Current portion of long-term borrowings	234.5	37.5
Current maturities of capital leases and other obligations (included in accrued liabilities)	11.3	10.3
Current portion of debt issuance costs and unamortized debt discount	(1.1)	(1.4)
Long-term borrowings	$4,992.4	$5,126.5

Senior Unsecured Notes

In August 2013, we issued $1,625.0 million of senior unsecured notes due July 2021 (the 2021 Notes), pursuant to an indenture dated August 21, 2013 (the Indenture). The 2021 Notes bear interest at a rate of 8.125% per annum, payable semi-annually on January 15 and July 15 of each year. The obligations under the 2021 Notes are guaranteed by the Company's domestic subsidiaries and certain foreign subsidiaries. Upon the occurrence of a change in control (as specified in the Indenture), we must offer to purchase the 2021 Notes at a redemption price equal to 101% of the principal balance, plus accrued and unpaid interest, if any, to the date of purchase.

As part of the Acquisition, we assumed three issuances of senior unsecured notes due June 2018, February 2022 and December 2022 at their Acquisition Date fair values. The senior unsecured notes due June 2018 and December 2022 bear interest at a rate of 7.25% and 4.5% per annum (effective interest rates of 7.4% and 6.6%), respectively, payable semi-annually in June and December of each year. The senior unsecured notes due February 2022 bear interest at a rate of 4.25% per annum (effective interest rate of 6.6%), payable semi-annually in February and August of each year. These senior unsecured notes are redeemable at our option at any time at the redemption prices specified in the respective indentures and contain provisions for a put option upon a change of control, requiring us to offer to purchase the senior notes at 101% of principal plus accrued and unpaid interest.

Senior Secured Term Loans

Concurrent with the closing of the Acquisition, we entered into a credit agreement, as amended (the Credit Agreement) with a syndicate of lenders which provides for (i) U.S. term loans denominated in U.S. dollars (the U.S. Term Loans), (ii) foreign term loans denominated in U.S. dollars (the Foreign USD Term Loans) and (iii) foreign term loans denominated in Euros (the Foreign Euro Term Loans) (collectively, the Term Loans) totaling approximately $3.9 billion, with a maturity date of September 2020. Concurrent with the consummation of the Acquisition, the full amount of the Term Loans was drawn. Proceeds from the Term Loans were net of a discount of $38.9 million.

The aggregate original principal amounts of the U.S. Term Loans, the Foreign USD Term Loans and the Foreign Euro Term Loans were $2,880.0 million, $335.0 million and €500.0 million, respectively.

The Term Loans bear interest on the outstanding principal amount for each interest period at floating rates, as specified in the Credit Agreement, based on either, at our election, the prime rate, the Federal Funds Effective Rate or the Eurocurrency Rate, subject to a floor (each as defined), plus applicable spreads as specified in the Credit Agreement, payable in arrears on the last day of each interest period. As of September 30, 2017, the weighted-average effective interest rate for the Term Loans was 5.5%, prior to the effect of derivative instruments. As discussed in Note 2, the Interest Rate Caps minimize the impact of increases in interest rates on interest payments associated with the Term Loans. These Interest Rate Caps limit our exposure to the Eurocurrency Rate component of interest rates on the hedged portions of the Term Loans to a maximum rate of 5.00% from September 2016 through September 2018. Additionally, we are party to the Foreign Cross Currency Swaps on a total notional amount of $285.0 million to swap U.S. dollar variable-rate interest payments on a portion of the Term Loans for an average fixed interest rate of 5.84% on a fixed Euro notional amount of €208.5 million. In September 2016, we entered into the U.S. Cross Currency Swap on a total notional amount of $1.0 billion to swap U.S. dollar variable-rate interest payments on a portion of the U.S. Term Loans for a fixed interest rate of approximately 4.62% on a fixed Euro notional amount of €889.4 million, and we entered into the USD/EUR Option with a U.S. dollar/Euro strike price of approximately 1.35 to swap U.S. dollars for Euros, limiting our exposure to changes in Euro to U.S. dollar exchange rates related to the U.S. Cross Currency Swap.

In April 2017, the Company amended the Credit Agreement (the Credit Agreement Amendment) to extend the maturity date of the Term Loans to September 2022 (accelerated to April 2021 if the aggregate principal balance of the 2021 Notes is more than $700.0 million on April 15, 2021), which may be further extended in accordance with the terms of the Credit Agreement, and to refinance the principal amounts. The Credit Agreement Amendment resulted in outstanding principal amounts under the U.S. Term Loans, the Foreign USD Term Loans and the Foreign Euro Term Loans of $2,354.1 million, $284.7 million and €690.0 million, respectively. The Credit Agreement Amendment also reduced the interest rate floor applicable to the Foreign Euro Term Loans from 1.0% to 0.0%, and the spread for the U.S. Term Loans will be reduced from 4.0% to 3.75% if the first lien leverage ratio (as defined) is less than or equal to 3.75:1.00.

The Credit Agreement Amendment resulted in the repayment of debt with certain lenders in the syndicate for total repayments of $629.9 million, and the Company recognized a loss on extinguishment of debt of $8.4 million, representing the write-off of unamortized discount and debt issuance costs associated with the debt extinguishment. The Credit Agreement Amendment also resulted in new borrowings from certain lenders in the syndicate with proceeds totaling $620.5 million, net of a discount of $8.4 million and $8.5 million in debt issuance costs.

The Term Loans require quarterly principal payments of 0.25% of the amended original principal amount, with the balance payable at maturity.

Subject to certain prepayment premiums and penalties and the payment of customary “breakage” costs, we may voluntarily prepay the Term Loans at any time. Subject to certain exceptions, the Term Loans are subject to mandatory prepayments in amounts equal to: i) 100% of the net proceeds (as determined in accordance with the Credit Agreement) from certain non-ordinary course sales or other dispositions of assets, ii) 100% of the net cash proceeds from the issuance or incurrence of debt (other than indebtedness permitted by the Credit Agreement) and iii) 50% of annual excess cash flow (as determined in accordance with the Credit Agreement with step-downs to 25% and 0% based upon achievement of specified first lien net leverage ratios). The obligations under the Credit Agreement are guaranteed by Parent and by certain of the Company’s domestic and foreign subsidiaries, and are secured by certain assets of certain of the Company’s domestic and foreign subsidiaries.

Revolving Loan and Letter of Credit Facilities

The Credit Agreement provided for (i) U.S. dollar revolving loans and letters of credit (as defined) of up to $170.0 million (the U.S. Revolving Loans) and (ii) multicurrency revolving loans and letters of credit (as defined) of up to the U.S. dollar equivalent of $180.0 million (the Multicurrency Revolving Loans) (collectively, the Revolvers), subject to limitations based on a maximum first lien net leverage ratio (as defined). Under the Credit Agreement Amendment, the maturity date of $72.0 million of the U.S. Revolving Loans and $156.4 million of the Multicurrency Revolving Loans was extended from September 2018 to September 2020, subject to the nonoccurrence of a springing maturity event (as defined), in which case the Revolvers will mature on the later of two business days after the springing maturity event or September 10, 2018, and the remaining $98.0 million of the U.S. Revolving Loans and $23.6 million of the Multicurrency Revolving Loans continue to mature in September 2018, all of which may be further extended in accordance with the terms of the Credit Agreement.

Per the terms of the Credit Agreement, we will pay certain commitment, facility, participation and fronting fees, as specified in the Credit Agreement.

As of September 30, 2017 and through the date of these financial statements, we have not borrowed any funds under the Revolvers and, as of September 30, 2017, have approximately $27.4 million in letters of credit, guarantees and similar instruments outstanding under the Credit Agreement.

Debt Covenants

The above credit facilities contain a number of customary affirmative and negative covenants that, among other things, limit or restrict our ability, subject to certain exceptions, to: incur additional indebtedness (including guarantee obligations); incur liens; engage in mergers, consolidations, liquidations and dissolutions (other than pursuant to the transactions contemplated by the Merger Agreement); sell assets; pay dividends and make other payments in respect of capital stock; make acquisitions, investments, loans and advances; pay and modify the terms of certain indebtedness; engage in certain transactions with affiliates; enter into negative pledge clauses and clauses restricting subsidiary distributions; and change our line of business. Additionally, the credit facilities contain customary events of default, including nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty when made; violation of a covenant; cross-default to material indebtedness; bankruptcy events; material unsatisfied monetary judgments; actual or asserted invalidity of any loan document and material impairment of the security and/or guarantees; and a change of control. In addition, under the Revolvers, we will be required to not exceed a specified first lien net leverage ratio (as defined) in the event that amounts outstanding under the Revolvers (excluding issued and undrawn letters of credit) exceed 30% of the commitments under the Revolvers as of the end of any fiscal quarter.

Our ability to borrow under the Credit Agreement is dependent on, among other things, our compliance with the above-described financial ratio. Failure to comply with this ratio or the other provisions of the Credit Agreement (subject to certain grace periods and customary cure rights) could, absent a waiver or an amendment from the lenders of such agreement, restrict the availability of the Revolvers and permit the acceleration of all outstanding borrowings under the Credit Agreement.

(4) Income Taxes

Income tax benefit was $85.8 million for the six months ended September 30, 2017, resulting in an effective tax rate of 37.9%. For the six months ended September 30, 2016, income tax provision was $16.0 million on a pre-tax loss of $28.7 million, due primarily to the tax expense related to the patent litigation settlement proceeds received in April 2016 (see Note 6).

Our effective tax rate generally differs from the U.S. federal statutory rate of 35% due to favorable tax rates associated with earnings from lower tax rate jurisdictions throughout the world as well as due to additional accruals, changes in estimates, releases and settlements with taxing authorities related to our uncertain tax positions and benefits associated with income attributable to the extraterritorial income exclusion and production activities deduction. Our effective tax rate could fluctuate on a quarterly basis and could be adversely affected to the extent forecasted earnings for the year are lower than anticipated in countries with lower statutory rates and higher than anticipated in countries with higher statutory rates as well as the impact of repatriations. For the six months ended September 30, 2017, our effective tax rate related to the income tax benefit was adversely impacted by approximately 20% for the U.S. income tax impacts of forecasted repatriations for the year ending March 31, 2018. For the six months ended September 30, 2016, our effective tax rate was adversely impacted by an increase in the valuation allowance primarily due to changes in estimates of the utilization of foreign tax credits.

We file a consolidated federal income tax return together with Parent in the United States as well as income tax returns in various local, state and foreign jurisdictions. Our income taxes are accounted for as if the Company filed a consolidated return excluding Parent. Our tax years are closed with the U.S. Internal Revenue Service (the IRS) through the tax year ended March 31, 2012. In June 2015, the favorable decision of the Court of Appeals related to the year ended March 31, 2006 became final, and a refund of $18.7 million, which includes both tax and interest, was received from the IRS during the six months ended September 30, 2016. In addition, certain tax years related to local, state and foreign jurisdictions remain subject to examination. To provide for potential tax exposures, we maintain a liability for unrecognized tax benefits which we believe is adequate.

(5) Share-Based Compensation

The Company grants stock options to executives and other employees which primarily vest in annual increments over four or five years, with a term of ten years. These grants consist of stock options that are half time-based (the time-vesting options) and half which contain service, performance and market conditions (the performance-vesting options). The time-vesting options vest in annual increments assuming continued employment, with accelerated vesting in the event of a change of control. The performance-vesting options also vest in annual increments, assuming continued employment, the occurrence of a liquidity event and the achievement of target investor returns. Additionally, there are provisions for partial vesting for both time-vesting and performance-vesting options in the event of termination of employment in certain circumstances as set forth in the terms of the award. The options are exercisable for Class B non-voting common stock of Parent. Both the time-vesting options and the performance-vesting options contain certain repurchase features that allow Parent to repurchase shares acquired by the employee through the exercise of the options, contingent upon the employee’s separation from the Company.

Additionally, the Company issues long-term incentive awards with share settlement features to certain employees (the LTIP Awards). The LTIP Awards consist of both time-based awards, which vest 1/3 per year over three years, and performance-based awards, which vest 1/3 per year over three years, further adjusted from 0% to 200% of the target payout based on the achievement of certain financial metrics. The LTIP Awards are settled in cash unless the Company, any affiliate of the Company or any successor entity to the Company is a publicly-traded company, in which case the LTIP Awards are settled in stock, and therefore, the expense associated with the LTIP Awards is classified as share-based compensation expense. During the six months ended September 30, 2017 and 2016, we granted LTIP awards with a target payout totaling $16.3 million and $13.5 million, respectively, and recorded share-based compensation expense of $7.3 million and $3.3 million, respectively, associated with the LTIP Awards.

At September 30, 2017, we had approximately $102.0 million of total unrecognized compensation costs related to share-based awards that are expected to be recognized as expense over a remaining weighted-average period of approximately 2.7 years.

Share-based compensation expense as recorded in our condensed consolidated statements of comprehensive loss is summarized as follows:

	Six Months Ended September 30,	
	2017	2016
	(In millions)	
Cost of license, maintenance and SaaS revenue	$ 3.9	$ 3.9
Cost of professional services revenue	0.8	0.6
Selling and marketing expenses	6.0	5.8
Research and development expenses	3.5	5.1
General and administrative expenses	7.9	6.0
Total share-based compensation expense	$22.1	$21.4

(6) Gain on Patent Litigation, Net

We were previously the plaintiff in three patent infringement lawsuits against ServiceNow, Inc. (ServiceNow), a provider of IT service management software, alleging infringement of multiple patents issued to us. In April 2016, we entered into a confidential settlement agreement (the Settlement Agreement) with ServiceNow to resolve the patent infringement litigation. Under the terms of the Settlement Agreement, ServiceNow agreed to pay us $250 million in settlement of all claims brought against ServiceNow in these patent infringement suits; the parties each provided a general release from all past claims, including claims related to infringement of all patents in dispute; and the parties entered into a covenant not to sue for patent infringement for a term of three years. The one-time settlement payment was received by us in April 2016 and, after deducting related contingent legal fees payable to our attorneys, amounted to $215.0 million. The settlement proceeds, net of related contingent legal fees, are reflected as gain on patent litigation, net in the condensed consolidated statement of comprehensive loss for the six months ended September 30, 2016.

(7) Guarantees and Contingencies

Guarantees

Under our standard software license agreements, we agree to indemnify, defend and hold harmless our licensees from and against certain losses, damages and costs arising from claims alleging the licensees' use of our software infringes the intellectual property rights of a third party. Also, under these standard license agreements, we represent and warrant to licensees that our software products operate substantially in accordance with published specifications.

Other guarantees include promises to indemnify, defend and hold harmless each of our executive officers, non-employee directors and certain key employees from and against losses, damages and costs incurred by each such individual in administrative, legal or investigative proceedings arising from alleged wrongdoing by the individual while acting in good faith within the scope of his or her job duties on our behalf.

We also had outstanding letters of credit, guarantees and similar instruments at September 30, 2017 of approximately $50.1 million (including $27.4 million outstanding under the Credit Agreement), primarily in support of performance obligations to various customers, but also related to facilities and other obligations.

Historically, we have not incurred significant costs related to such indemnifications, warranties and guarantees. As such, and based on other factors, no provision or accrual for these items has been made.

Contingencies

We are party to various labor claims brought by certain former international employees alleging that amounts are due to such employees for unpaid commissions and other compensation. The claims are in various stages and are not expected to be fully resolved in the near future; however, we intend to vigorously contest all of the claims. Taking into account accruals we have recorded, we believe the likelihood of a material adverse effect on our financial statements resulting from these claims is remote. However, we cannot predict the timing or ultimate outcome of these matters.

We are litigating a matter in Brazilian courts as to whether a tax applies to the remittance of software payments from our Brazilian operations. In February 2007, a law was enacted that clarified that this particular tax did not apply to the remittance of software payments, retroactive to January 1, 2006. We continue to pursue a favorable resolution on this matter for years prior to January 1, 2006. While we believe we will ultimately prevail based on the merits of our position, if we do not, we could incur a charge of up to approximately $7 million based on current foreign currency exchange rates; however, we cannot predict the timing or ultimate outcome of this matter.

Additionally, we are subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. Taking into account accruals we have recorded, we believe the likelihood of a material adverse effect on our financial statements resulting from any of these matters is remote.

(8) Severance and Related Costs

We continue to conduct company-wide operational reviews to streamline our operations and reallocate resources to strategic areas of our business, which have resulted in workforce reductions. Activity within the accrual for severance and related costs during the six months ended September 30, 2017 and 2016, resulting from these initiatives, is summarized as follows:

	Six Months Ended September 30,	
	2017	2016
	(In millions)	
Beginning balance	$ 4.4	$ 6.5
Charged to expense	4.7	4.3
Adjustments to estimates	(0.4)	(0.8)
Cash payments	(7.1)	(8.0)
Ending balance	$ 1.6	$ 2.0

The accruals for severance and related costs at September 30, 2017 represent the amounts to be paid related to employees who have been terminated or identified for termination as a result of the initiatives described above. These amounts are primarily expected to be paid during the fiscal year ending March 31, 2018. We continue to review the impact of these actions and will determine if, based on future operating results, additional actions to reduce operating expenses are necessary. The amount of any potential future charges for such actions will depend upon the nature, timing and extent of those actions.

(9) Related Party Transactions

We are party to an advisory and payment agreement effective September 10, 2013 with certain of the Sponsors to provide management, consulting and advisory services to the Company. The agreement has an initial term of ten years. Under the terms of the agreement, we are required to make quarterly payments of $2.5 million (subject to adjustment based on Consolidated EBITDA, as defined), plus reimbursement of out-of-pocket expenses, which are included in general and administrative expenses in the condensed consolidated statements of comprehensive loss and totaled $5.2 million and $5.2 million for the six months ended September 30, 2017 and 2016, respectively. Additionally, the agreement requires additional payments in the event of certain transactions such as a merger, disposition of assets, recapitalization, refinancing or other transactions as defined in the agreement. No such additional payments have been made under the agreement.

During the six months ended September 30, 2016, the Company purchased $146.1 million of certain Senior Contingent Cash Pay Notes due 2019 issued by Parent (the PIK Notes) in the open market for $124.6 million, including accrued interest. The PIK Notes are being held by the Company as permitted investments under the terms of the Credit Agreement and bond indentures, and the purchases were accounted for by the Company as a direct reduction of stockholder's equity.

Additionally, we expect to declare cash dividends or make loans to Parent from time to time for debt servicing or other liquidity requirements of Parent, subject to limitations prescribed by the Company's debt agreements. During the six months ended September 30, 2017 and 2016, the Company paid cash dividends to Parent totaling $32.4 million and $46.5 million, respectively.

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