

CARDTRONICS INC  
Form S-3ASR  
March 13, 2013  
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As filed with the Securities and Exchange Commission on March 13, 2013

Registration No. 333-

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

**FORM S-3**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**CARDTRONICS, INC.\***

(Exact name of registrants as specified in their charters)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

3250 Briarpark Drive, Suite 400

Houston, TX 77042

(832) 308-4000

76-0681190  
(I.R.S. Employer  
Identification Number)

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

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**J. Chris Brewster**

**Chief Financial Officer**

**3250 Briarpark Drive, Suite 400**

**Houston, TX 77042**

**(832) 308-4000**

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

*Copies to:*

**Gillian A. Hobson**

**Vinson & Elkins L.L.P.**

**First City Tower**

**1001 Fannin Street, Suite 2500**

**Houston, Texas 77002**

**(713) 758-2222**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

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

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

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

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Large accelerated filer

Accelerated filer

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

Smaller reporting company

### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share (1)	Proposed maximum aggregate offering price (1)	Amount of registration fee (3)
Debt Securities				
Common Stock, par value \$0.0001 per share				
Guarantees of Debt Securities (2)				
Total				

- (1) An indeterminate initial offering price, principal amount or number of securities of each identified class is being registered as may from time to time be issued at indeterminate prices or upon conversion, exchange or exercise of securities registered hereunder to the extent any such securities are, by their terms, convertible into or exchangeable or exercisable for, such securities. Separate consideration may or may not be received for securities that are being registered that are issued in exchange for, or upon conversion or exercise of, the debt securities being registered hereunder.
- (2) If a series of debt securities is guaranteed, such series will be guaranteed by one or more of Cardtronics, Inc.'s subsidiaries. No additional consideration will be received for such guarantees. Pursuant to Rule 457(n) of the Securities Act, no separate fee is payable with respect to the guarantees of the debt securities being registered.
- (3) In accordance with Rules 456(b) and 457(r) under the Securities Act, Cardtronics, Inc. is deferring payment of the SEC's registration fee.

#### Table of Additional Registrants

Exact Name of Additional Registrants*	Jurisdiction of Formation	I.R.S. Employer Identification No.
Cardtronics USA, Inc.	Delaware	76-0419117
Cardtronics Holdings, LLC	Delaware	04-3848807
ATM National, LLC	Delaware	01-0851708
Cardtronics DR, LLC	Delaware	46-0757736

\* The address for each of the additional registrants is c/o Cardtronics, Inc., 3250 Briarpark Drive, Suite 400, Houston, Texas 77042, Telephone: (832) 308-4000. The name, address, including zip code of the agent for service for each of the additional registrants is J. Chris Brewster, Chief Financial Officer of Cardtronics, Inc., 3250 Briarpark Drive, Suite 400, Houston, Texas 77042, Telephone: (832) 308-4000.

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**PROSPECTUS**

**CARDTRONICS, INC.**

**Debt Securities**

**Common Stock**

**Guarantees of Debt Securities**

We may offer and sell from time to time an unlimited number and amount of the following securities in one or more transactions, classes or series and in amounts, at prices and on terms to be determined by market conditions at the time of our offerings: (1) debt securities, which may be senior debt securities or subordinated debt securities; and (2) common stock, \$0.0001 par value.

One or more of our subsidiaries may fully and unconditionally guarantee any debt securities that we issue.

We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. This prospectus describes the general terms of these securities and the general manner in which we will offer the securities. The specific terms of any securities we offer will be included in a supplement to this prospectus. The prospectus supplement will also describe the specific manner in which we and will offer the securities. Any prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and the accompanying prospectus supplement carefully before you make an investment decision.

**Investing in our securities involves risks. You should carefully consider the risk factors described under Risk Factors beginning on page 7 of this prospectus and in the applicable prospectus supplement or any of the documents we incorporate by reference before you make an investment in our securities.**

Our common stock is traded on The Nasdaq Global Market, or the Nasdaq, under the symbol CATM. The last reported sales price of our common stock on the Nasdaq on March 12, 2013 was \$26.99 per share. We will provide information in the prospectus supplement for the trading market, if any, for any other securities we may offer.

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

The date of this prospectus is March 13, 2013.

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**In making your investment decision, you should rely only on the information contained in this prospectus, any prospectus supplement and the documents that we incorporate by reference. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. Our business, financial condition, results of operations and prospects may have changed since those dates. We are not making an offer of these securities in any jurisdiction where the offer is not permitted.**

**You should not assume that the information contained in this prospectus or any prospectus supplement, as well as the information that we have previously filed with the Securities and Exchange Commission, or the SEC or Commission, that is incorporated by reference into this prospectus or any prospectus supplement, is accurate as of any date other than the date of such document, regardless of the time of delivery of this prospectus or any supplement to this prospectus or any sales of our securities.**

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**ABOUT THIS PROSPECTUS**

This prospectus is part of an automatic shelf registration statement that we filed with the SEC as a well known seasoned issuer as defined in Rule 405 of the Securities Act of 1933, as amended (the Securities Act ), using a shelf registration process. Under this shelf registration process, we may offer and sell any combination of the securities described in this prospectus in one or more offerings.

Each time we use this prospectus to offer securities, we will provide a prospectus supplement and, if applicable, a pricing supplement. The prospectus supplement and any pricing supplement will describe the specific terms of that offering. The prospectus supplement and any pricing supplement may also add to, update or change the information contained in this prospectus. Please carefully read this prospectus, the prospectus supplement and any pricing supplement together with the information contained in the documents we refer to under the heading Documents Incorporated by Reference.

Unless the context requires otherwise or unless otherwise noted, all references in this prospectus or any accompanying prospectus supplement to Cardtronics, we, us and our refer to Cardtronics, Inc. and its subsidiaries.

**WHERE YOU CAN FIND MORE INFORMATION**

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents filed by us with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our filings with the SEC are also available to the public from commercial document retrieval services and at the SEC's website at <http://www.sec.gov>.

We also make available free of charge on our Internet website at <http://www.cardtronics.com> all of the documents that we file with the SEC as soon as reasonably practicable after we electronically file such material with the SEC. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website as part of this prospectus.

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**DOCUMENTS INCORPORATED BY REFERENCE**

We incorporate by reference information into this prospectus, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information contained expressly in this prospectus, and the information that we file later with the SEC will automatically supersede this information. You should not assume that the information in this prospectus is current as of any date other than the date on the front page of this prospectus.

We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act ) (excluding any information furnished and not filed with the SEC):

Annual Report on Form 10-K for the fiscal year ended December 31, 2012;

Current Report on Form 8-K filed on February 4, 2013 and February 7, 2013; and

the description of our common stock contained in our registration statement on Form 8-A, filed pursuant to Section 12 of the Exchange Act on December 3, 2007 (Registration No. 001-33864).

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You may request a copy of any document incorporated by reference in this prospectus and any exhibit specifically incorporated by reference in those documents, at no cost, by writing or telephoning us at the following address or phone number:

Cardtronics, Inc.

Attention: Chief Financial Officer

3250 Briarpark Drive, Suite 400

Houston, Texas 77042

(832) 308-4000

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

The information in this prospectus, any prospectus supplement and in the documents incorporated by reference includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act ) and Section 21E of the Exchange Act. The words believe, expect, anticipate, plan, intend, foresee, should, would, could or other similar expressions are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we currently anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

our financial outlook and the financial outlook of the ATM industry;

our ability to respond to recent and future network and regulatory changes, including the Americans with Disabilities Act and the potential requirements surrounding Europay, MasterCard and Visa security standards;

our ability to respond to potential reductions in the amount of net interchange fees that we receive from global and regional debit networks for transactions conducted on our ATMs due to pricing changes implemented by those networks as well as changes in how issuers route their ATM transactions over those networks;

our ability to provide new ATM solutions to financial institutions;

our ATM vault cash rental needs, including potential liquidity issues with our vault cash providers;

the continued implementation of our corporate strategy;

our ability to compete successfully with new and existing competitors;

our ability to renew and strengthen our existing customer relationships and add new customers;

our ability to meet the service levels required by our service level agreements with our customers;

our ability to pursue and successfully integrate acquisitions;

our ability to successfully manage our existing international operations and to continue to expand internationally;



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our ability to prevent security breaches;

our ability to manage the risks associated with our third-party service providers failing to perform their contractual obligations;

our ability to manage concentration risks with key vendors and service providers;

changes in interest rates and foreign currency rates;

the additional risks we are exposed to in our United Kingdom ( U.K. ) armored transport business; and

our ability to retain our key employees.

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The information contained in this prospectus, including the information set forth under the heading Risk Factors, identifies factors that could affect our operating results and performance. When considering forward-looking statements, you should keep in mind these factors and other cautionary statements in this prospectus, any prospectus supplement and in the documents incorporated herein and therein by reference. Should one or more of the risks or uncertainties described above or elsewhere in this prospectus, any prospectus supplement or in the documents incorporated by reference occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. We urge you to carefully consider those factors, as well as factors described in our reports filed from time to time with the SEC and other announcements we make from time to time.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no responsibility to publicly release the result of any revision of our forward-looking statements after the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise, except to the extent required by law.

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**CARDTRONICS, INC.**

Cardtronics, Inc. provides convenient automated consumer financial services through its network of automated teller machines ( ATMs ) and multi-function financial services kiosks. As of December 31, 2012, we were the world's largest retail ATM owner, providing services to over 62,800 devices throughout the United States ( U.S. ) (including the U.S. territories of Puerto Rico and the U.S. Virgin Islands), the U.K., Mexico and Canada. Included within the number of devices in the U.S. are over 2,000 multi-function financial services kiosks that, in addition to traditional ATM functions such as cash dispensing and bank account balance inquiries, perform other consumer financial services, including bill payments, check cashing, remote deposit capture (which represents deposits taken using electronic imaging at ATMs not physically located at a bank), and money transfers. Also included in the number of devices in our network as of December 31, 2012 were approximately 6,400 ATMs to which we provided various forms of managed services. Under a managed services arrangement, retailers and financial institutions rely on us to handle some or all of the operational aspects associated with operating and maintaining the ATMs, typically in exchange for a monthly service fee or fee per service provided. We typically do not receive surcharge and interchange fees in these arrangements, but rather those fees are earned by our customers.

We also partner with leading national and regional financial institutions to brand selected ATMs and financial services kiosks within our network. As of December 31, 2012, approximately 18,300 of our domestic devices were under contract with financial institutions to place their logos on those machines and to provide convenient surcharge-free access for their banking customers. In return for the branding that we provide, we receive monthly fees on a per ATM basis from the branding institution, while retaining our standard fee schedule for non-customers of the financial institutions who use the branded ATMs.

Additionally, we own and operate the Allpoint network, the largest surcharge-free ATM network within the U.S. (based on the number of participating ATMs). The Allpoint network, which has approximately 51,700 participating ATMs globally, provides surcharge-free ATM access to customers of participating financial institutions that lack a significant ATM network in exchange for either a fixed monthly fee per cardholder or a set fee per transaction that is paid by the financial institutions who are members of the network. The Allpoint network includes a majority of our ATMs in the U.S., Puerto Rico and Mexico, all of our ATMs in the U.K., and over 5,000 locations in Australia through a partnership with a local ATM owner and operator. Allpoint also works with financial institutions that manage stored-value debit card programs on behalf of corporate entities and governmental agencies, including general purpose, payroll, and electronic benefits transfer cards. Under these programs, the issuing financial institutions pay Allpoint a fee per card or per transaction in return for allowing the users of those cards surcharge-free access to Allpoint's participating ATM network.

Finally, we own and operate an electronic funds transfer transaction processing platform that provides transaction processing services to our network of ATMs and financial services kiosks as well as ATMs owned and operated by third parties. For additional discussion of our business, please read the documents listed under Documents Incorporated by Reference.

Our principal executive offices are located at 3250 Briarpark Drive, Suite 400, Houston, Texas 77042, and our telephone number at that address is (832) 308-4000. Our website is located at <http://www.cardtronics.com>. The information that is contained on, or is or will become accessible through, our website is not a part of this prospectus.

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**THE SUBSIDIARY GUARANTORS**

One or more of Cardtronics, Inc.'s subsidiaries, whom we refer to as the subsidiary guarantors in this prospectus, may fully and unconditionally guarantee our payment obligations under any series of debt securities offered by this prospectus. The prospectus supplement relating to any such series will identify any subsidiary guarantors. Financial information concerning our subsidiary guarantors and any non-guarantor subsidiaries will be included in our consolidated financial statements filed as part of our periodic reports filed pursuant to the Exchange Act to the extent required by the rules and regulations of the SEC.

Additional information concerning our subsidiaries and us is included in reports and other documents incorporated by reference in this prospectus. Please read [Where You Can Find More Information](#) and [Documents Incorporated by Reference](#).

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**RISK FACTORS**

Our business is subject to uncertainties and risks. You should carefully consider and evaluate all of the information included and incorporated by reference in this prospectus, as well as those contained in any applicable prospectus supplement, as the same may be updated from time to time by our future filings with the SEC. Our business, financial condition, liquidity or results of operations could be materially adversely affected by any of these risks. For more information about our SEC filings, please see [Where You Can Find More Information](#) and [Documents Incorporated by Reference](#). See also [Cautionary Statement Regarding Forward-Looking Statements](#).

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**USE OF PROCEEDS**

Unless otherwise indicated in the applicable prospectus supplement, we intend to use the net proceeds from the sale of the securities offered by us under this prospectus and any prospectus supplement for our general corporate purposes, which may include repayment of indebtedness, the financing of capital expenditures, future acquisitions and additions to our working capital.

Our management will retain broad discretion in the allocation of the net proceeds from the sale(s) of the offered securities. If we elect at the time of issuance of the securities to make a different or more specific use of the proceeds other than as described in this prospectus, the change in use of proceeds will be described in the applicable prospectus supplement.

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The following table sets forth our ratio of consolidated earnings to fixed charges for the periods presented:

	Fiscal Year Ended December 31,				
	2012	2011	2010	2009	2008
Ratio of earnings to fixed charges	3.91x	3.46x	1.78x	1.28x	(a)

(a) Earnings before fixed charges were inadequate to cover fixed charges by \$70.4 million for the year ended December 31, 2008. For purposes of calculating the ratio of consolidated earnings to fixed charges:

*earnings* is the aggregate of the following items: pre-tax income from continuing operations before adjustment for income or loss from equity investees; plus fixed charges; plus amortization of capitalized interest; plus distributed income of equity investees; plus our share of pre-tax losses of equity investees for which charges arising from guarantees are included in fixed charges; less interest capitalized; less preference security dividend requirements of consolidated subsidiaries; and less the noncontrolling interest in pre-tax income of subsidiaries that have not incurred fixed charges; and

*fixed charges* means the sum of the following: (1) interest expensed and capitalized, (2) amortized premiums, discounts and capitalized expenses related to indebtedness, (3) an estimate of the interest within rental expense and (4) preference security dividend requirements of consolidated subsidiaries.

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**DESCRIPTION OF DEBT SECURITIES**

The Debt Securities will be either our senior debt securities ( Senior Debt Securities ) or our subordinated debt securities ( Subordinated Debt Securities ). The Senior Debt Securities and the Subordinated Debt Securities will be issued under separate indentures among us, the Subsidiary Guarantors of such Debt Securities, if any, and Wells Fargo Securities, N.A., in the case of the Senior Debt Securities and a trustee to be determined in the case of the Subordinated Debt Securities (the Trustee ). Senior Debt Securities will be issued under a Senior Indenture and Subordinated Debt Securities will be issued under a Subordinated Indenture. Together, the Senior Indenture and the Subordinated Indenture are called Indentures.

The Debt Securities may be issued from time to time in one or more series. The particular terms of each series that are offered by a prospectus supplement will be described in the prospectus supplement.

Unless the Debt Securities are guaranteed by our subsidiaries as described below, the rights of Cardtronics and our creditors, including holders of the Debt Securities, to participate in the assets of any subsidiary upon the latter's liquidation or reorganization, will be subject to the prior claims of the subsidiary's creditors, except to the extent that we may ourselves be a creditor with recognized claims against such subsidiary.

We have summarized selected provisions of the Indentures below. The summary is not complete. The Senior Indenture and the form of the Subordinated Indenture have been filed with the SEC as exhibits to the most recent registration statement of which this prospectus is a part, and you should read the Indentures for provisions that may be important to you. Capitalized terms used in the summary have the meanings specified in the Indentures.

**General**

The Indentures provide that Debt Securities in separate series may be issued thereunder from time to time without limitation as to aggregate principal amount. We may specify a maximum aggregate principal amount for the Debt Securities of any series. We will determine the terms and conditions of the Debt Securities, including the maturity, principal and interest, but those terms must be consistent with the Indenture. The Debt Securities will be our unsecured obligations.

The Subordinated Debt Securities will be subordinated in right of payment to the prior payment in full of all of our Senior Debt (as defined) as described under Subordination of Subordinated Debt Securities and in the prospectus supplement applicable to any Subordinated Debt Securities. If the prospectus supplement so indicates, the Debt Securities will be convertible into our common stock.

If specified in the prospectus supplement respecting a particular series of Debt Securities, one or more subsidiary guarantors identified therein (each a Subsidiary Guarantor ), will fully and unconditionally guarantee (the Subsidiary Guarantee ) that series as described under Subsidiary Guarantee and in the prospectus supplement. Each Subsidiary Guarantee will be an unsecured obligation of the Subsidiary Guarantor. A Subsidiary Guarantee of Subordinated Debt Securities will be subordinated to the Senior Debt of the Subsidiary Guarantor on the same basis as the Subordinated Debt Securities are subordinated to our Senior Debt.

The applicable prospectus supplement will set forth the price or prices at which the Debt Securities to be issued will be offered for sale and will describe the following terms of such Debt Securities:

- (1) the title of the Debt Securities;
- (2) whether the Debt Securities are Senior Debt Securities or Subordinated Debt Securities and, if Subordinated Debt Securities, the related subordination terms;



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- (3) whether any Subsidiary Guarantor will provide a Subsidiary Guarantee of the Debt Securities;
- (4) any limit on the aggregate principal amount of the Debt Securities;
- (5) each date on which the principal of the Debt Securities will be payable;
- (6) the interest rate that the Debt Securities will bear and the interest payment dates for the Debt Securities;
- (7) each place where payments on the Debt Securities will be payable;
- (8) any terms upon which the Debt Securities may be redeemed, in whole or in part, at our option;
- (9) any sinking fund or other provisions that would obligate us to redeem or otherwise repurchase the Debt Securities;
- (10) the portion of the principal amount, if less than all, of the Debt Securities that will be payable upon declaration of acceleration of the Maturity of the Debt Securities;
- (11) whether the Debt Securities are defeasible;
- (12) any addition to or change in the Events of Default;
- (13) whether the Debt Securities are convertible into our common stock and, if so, the terms and conditions upon which conversion will be effected, including the initial conversion price or conversion rate and any adjustments thereto and the conversion period;
- (14) any addition to or change in the covenants in the Indenture applicable to the Debt Securities; and
- (15) any other terms of the Debt Securities not inconsistent with the provisions of the Indenture.

Debt Securities, including any Debt Securities that provide for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof ( Original Issue Discount Securities ), may be sold at a substantial discount below their principal amount. Special U.S. federal income tax considerations applicable to Debt Securities sold at an original issue discount may be described in the applicable prospectus supplement. In addition, special U.S. federal income tax or other considerations applicable to any Debt Securities that are denominated in a currency or currency unit other than U.S. dollars may be described in the applicable prospectus supplement.

**Subordination of Subordinated Debt Securities**

The indebtedness evidenced by the Subordinated Debt Securities will, to the extent set forth in the Subordinated Indenture with respect to each series of Subordinated Debt Securities, be subordinate in right of payment to the prior payment in full of all of our Senior Debt, including the Senior Debt Securities, and it may also be senior in right of payment to all of our Subordinated Debt. The prospectus supplement relating to any Subordinated Debt Securities will summarize the subordination provisions of the Subordinated Indenture applicable to that series including:

the applicability and effect of such provisions upon any payment or distribution respecting that series following any liquidation, dissolution or other winding-up, or any assignment for the benefit of creditors or other marshalling of assets or any bankruptcy, insolvency or similar proceedings;

the applicability and effect of such provisions in the event of specified defaults with respect to any Senior Debt, including the circumstances under which and the periods during which we will be prohibited from making payments on the Subordinated Debt Securities; and

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the definition of Senior Debt applicable to the Subordinated Debt Securities of that series and, if the series is issued on a senior subordinated basis, the definition of Subordinated Debt applicable to that series.

The prospectus supplement will also describe as of a recent date the approximate amount of Senior Debt to which the Subordinated Debt Securities of that series will be subordinated.

The failure to make any payment on any of the Subordinated Debt Securities by reason of the subordination provisions of the Subordinated Indenture described in the prospectus supplement will not be construed as preventing the occurrence of an Event of Default with respect to the Subordinated Debt Securities arising from any such failure to make payment.

The subordination provisions described above will not be applicable to payments in respect of the Subordinated Debt Securities from a defeasance trust established in connection with any legal defeasance or covenant defeasance of the Subordinated Debt Securities as described under Legal Defeasance and Covenant Defeasance.

## **Subsidiary Guarantee**

If specified in the prospectus supplement, one or more of the Subsidiary Guarantors will guarantee the Debt Securities of a series. Unless otherwise indicated in the prospectus supplement, the following provisions will apply to the Subsidiary Guarantee of the Subsidiary Guarantor.

Subject to the limitations described below and in the prospectus supplement, one or more of the Subsidiary Guarantors will jointly and severally, fully and unconditionally guarantee the punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all our payment obligations under the Indentures and the Debt Securities of a series, whether for principal of, premium, if any, or interest on the Debt Securities or otherwise (all such obligations guaranteed by a Subsidiary Guarantor being herein called the Guaranteed Obligations). The Subsidiary Guarantors will also pay all expenses (including reasonable counsel fees and expenses) incurred by the applicable Trustee in enforcing any rights under a Subsidiary Guarantee with respect to a Subsidiary Guarantor.

In the case of Subordinated Debt Securities, a Subsidiary Guarantor's Subsidiary Guarantee will be subordinated in right of payment to the Senior Debt of such Subsidiary Guarantor on the same basis as the Subordinated Debt Securities are subordinated to our Senior Debt. No payment will be made by any Subsidiary Guarantor under its Subsidiary Guarantee during any period in which payments by us on the Subordinated Debt Securities are suspended by the subordination provisions of the Subordinated Indenture.

Each Subsidiary Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be guaranteed by the Subsidiary Guarantor without rendering such Subsidiary Guarantee voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Each Subsidiary Guarantee will be a continuing guarantee and will:

(1) remain in full force and effect until either (a) payment in full of all the applicable Debt Securities (or such Debt Securities are otherwise satisfied and discharged in accordance with the provisions of the applicable Indenture) or (b) released as described in the following paragraph;

(2) be binding upon each Subsidiary Guarantor; and

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(3) inure to the benefit of and be enforceable by the applicable Trustee, the Holders and their successors, transferees and assigns.

In the event that (a) a Subsidiary Guarantor ceases to be a Subsidiary, (b) either legal defeasance or covenant defeasance occurs with respect to the series or (c) all or substantially all of the assets or all of the Capital Stock of such Subsidiary Guarantor is sold, including by way of sale, merger, consolidation or otherwise, such Subsidiary Guarantor will be released and discharged of its obligations under its Subsidiary Guarantee without any further action required on the part of the Trustee or any Holder, and no other person acquiring or owning the assets or Capital Stock of such Subsidiary Guarantor will be required to enter into a Subsidiary Guarantee. In addition, the prospectus supplement may specify additional circumstances under which a Subsidiary Guarantor can be released from its Subsidiary Guarantee.

## **Form, Exchange and Transfer**

The Debt Securities of each series will be issuable only in fully registered form, without coupons, and, unless otherwise specified in the applicable prospectus supplement, only in denominations of \$1,000 and integral multiples thereof.

At the option of the Holder, subject to the terms of the applicable Indenture and the limitations applicable to Global Securities, Debt Securities of each series will be exchangeable for other Debt Securities of the same series of any authorized denomination and of a like tenor and aggregate principal amount.

Subject to the terms of the applicable Indenture and the limitations applicable to Global Securities, Debt Securities may be presented for exchange as provided above or for registration of transfer (duly endorsed or with the form of transfer endorsed thereon duly executed) at the office of the Security Registrar or at the office of any transfer agent designated by us for such purpose. No service charge will be made for any registration of transfer or exchange of Debt Securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in that connection. Such transfer or exchange will be effected upon the Security Registrar or such transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. The Security Registrar and any other transfer agent initially designated by us for any Debt Securities will be named in the applicable prospectus supplement. We may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that we will be required to maintain a transfer agent in each Place of Payment for the Debt Securities of each series.

If the Debt Securities of any series (or of any series and specified tenor) are to be redeemed in part, we will not be required to (1) issue, register the transfer of or exchange any Debt Security of that series (or of that series and specified tenor, as the case may be) during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any such Debt Security that may be selected for redemption and ending at the close of business on the day of such mailing or (2) register the transfer of or exchange any Debt Security so selected for redemption, in whole or in part, except the unredeemed portion of any such Debt Security being redeemed in part.

## **Global Securities**

Some or all of the Debt Securities of any series may be represented, in whole or in part, by one or more Global Securities that will have an aggregate principal amount equal to that of the Debt Securities they represent. Each Global Security will be registered in the name of a Depositary or its nominee identified in the applicable prospectus supplement, will be deposited with such Depositary or nominee or its custodian and will bear a legend regarding the restrictions on exchanges and registration of transfer thereof referred to below and any such other matters as may be provided for pursuant to the applicable Indenture.

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Notwithstanding any provision of the Indentures or any Debt Security described in this prospectus, no Global Security may be exchanged in whole or in part for Debt Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depository for such Global Security or any nominee of such Depository unless:

- (1) the Depository has notified us that it is unwilling or unable to continue as Depository for such Global Security or has ceased to be qualified to act as such as required by the applicable Indenture, and in either case we fail to appoint a successor Depository within 90 days;
- (2) an Event of Default with respect to the Debt Securities represented by such Global Security has occurred and is continuing and the Trustee has received a written request from the Depository to issue certificated Debt Securities;
- (3) subject to the rules of the Depository, we shall have elected to terminate the book-entry system through the Depository; or
- (4) other circumstances exist, in addition to or in lieu of those described above, as may be described in the applicable prospectus supplement.

All certificated Debt Securities issued in exchange for a Global Security or any portion thereof will be registered in such names as the Depository may direct.

As long as the Depository, or its nominee, is the registered holder of a Global Security, the Depository or such nominee, as the case may be, will be considered the sole owner and Holder of such Global Security and the Debt Securities that it represents for all purposes under the Debt Securities and the applicable Indenture. Except in the limited circumstances referred to above, owners of beneficial interests in a Global Security will not be entitled to have such Global Security or any Debt Securities that it represents registered in their names, will not receive or be entitled to receive physical delivery of certificated Debt Securities in exchange for those interests and will not be considered to be the owners or Holders of such Global Security or any Debt Securities that it represents for any purpose under the Debt Securities or the applicable Indenture. All payments on a Global Security will be made to the Depository or its nominee, as the case may be, as the Holder of the security. The laws of some jurisdictions may require that some purchasers of Debt Securities take physical delivery of such Debt Securities in certificated form. These laws may impair the ability to transfer beneficial interests in a Global Security.

Ownership of beneficial interests in a Global Security will be limited to institutions that have accounts with the Depository or its nominee ( participants ) and to persons that may hold beneficial interests through participants. In connection with the issuance of any Global Security, the Depository will credit, on its book-entry registration and transfer system, the respective principal amounts of Debt Securities represented by the Global Security to the accounts of its participants. Ownership of beneficial interests in a Global Security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by the Depository (with respect to participants' interests) or any such participant (with respect to interests of Persons held by such participants on their behalf). Payments, transfers, exchanges and other matters relating to beneficial interests in a Global Security may be subject to various policies and procedures adopted by the Depository from time to time. None of us, the Subsidiary Guarantors, the Trustees or the agents of us, the Subsidiary Guarantors or the Trustees will have any responsibility or liability for any aspect of the Depository's or any participant's records relating to, or for payments made on account of, beneficial interests in a Global Security, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

**Payment and Paying Agents**

Unless otherwise indicated in the applicable prospectus supplement, payment of interest on a Debt Security on any Interest Payment Date will be made to the Person in whose name such Debt Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

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Unless otherwise indicated in the applicable prospectus supplement, principal of and any premium and interest on the Debt Securities of a particular series will be payable at the office of such Paying Agent or Paying Agents as we may designate for such purpose from time to time, except that at our option payment of any interest on Debt Securities in certificated form may be made by check mailed to the address of the Person entitled thereto as such address appears in the Security Register. Unless otherwise indicated in the applicable prospectus supplement, the corporate trust office of the Trustee under the Senior Indenture in The City of New York will be designated as sole Paying Agent for payments with respect to Senior Debt Securities of each series, and the corporate trust office of the Trustee under the Subordinated Indenture in The City of New York will be designated as the sole Paying Agent for payment with respect to Subordinated Debt Securities of each series. Any other Paying Agents initially designated by us for the Debt Securities of a particular series will be named in the applicable prospectus supplement. We may at any time designate additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts, except that we will be required to maintain a Paying Agent in each Place of Payment for the Debt Securities of a particular series.

All money paid by us to a Paying Agent for the payment of the principal of or any premium or interest on any Debt Security which remains unclaimed at the end of two years after such principal, premium or interest has become due and payable will be repaid to us, and the Holder of such Debt Security thereafter may look only to us for payment.

## **Consolidation, Merger and Sale of Assets**

Unless otherwise specified in the prospectus supplement, we may not consolidate with or merge into, or transfer, lease or otherwise dispose of all or substantially all of our assets to, any Person (a successor Person), and may not permit any Person to consolidate with or merge into us, unless:

- (1) the successor Person (if not us) is a corporation, partnership, trust or other entity organized and validly existing under the laws of any domestic jurisdiction and assumes our obligations on the Debt Securities and under the Indentures;
- (2) immediately before and after giving pro forma effect to the transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, has occurred and is continuing; and
- (3) several other conditions, including any additional conditions with respect to any particular Debt Securities specified in the applicable prospectus supplement, are met.

The successor Person (if not us) will be substituted for us under the applicable Indenture with the same effect as if it had been an original party to such Indenture, and, except in the case of a lease, we will be relieved from any further obligations under such Indenture and the Debt Securities.

## **Events of Default**

Unless otherwise specified in the prospectus supplement, each of the following will constitute an Event of Default under the applicable Indenture with respect to Debt Securities of any series:

- (1) failure to pay principal of or any premium on any Debt Security of that series when due, whether or not, in the case of Subordinated Debt Securities, such payment is prohibited by the subordination provisions of the Subordinated Indenture;
- (2) failure to pay any interest on any Debt Securities of that series when due, continued for 30 days, whether or not, in the case of Subordinated Debt Securities, such payment is prohibited by the subordination provisions of the Subordinated Indenture;

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(3) failure to deposit any sinking fund payment, when due, in respect of any Debt Security of that series, whether or not, in the case of Subordinated Debt Securities, such deposit is prohibited by the subordination provisions of the Subordinated Indenture;

(4) failure to perform or comply with the provisions described under Consolidation, Merger and Sale of Assets ;

(5) failure to perform any of our other covenants in such Indenture (other than a covenant included in such Indenture solely for the benefit of a series other than that series), continued for 60 days after written notice has been given by the applicable Trustee, or the Holders of at least 25% in principal amount of the Outstanding Debt Securities of that series, as provided in such Indenture;

(6) any Debt of ourself, any Significant Subsidiary or, if a Subsidiary Guarantor has guaranteed the series, such Subsidiary Guarantor, is not paid within any applicable grace period after final maturity or is accelerated by its holders because of a default and the total amount of such Debt unpaid or accelerated exceeds \$20.0 million;

(7) any judgment or decree for the payment of money in excess of \$20.0 million is entered against us, any Significant Subsidiary or, if a Subsidiary Guarantor has guaranteed the series, such Subsidiary Guarantor, remains outstanding for a period of 60 consecutive days following entry of such judgment and is not discharged, waived or stayed;

(8) certain events of bankruptcy, insolvency or reorganization affecting us, any Significant Subsidiary or, if a Subsidiary Guarantor has guaranteed the series, such Subsidiary Guarantor; and

(9) if any Subsidiary Guarantor has guaranteed such series, the Subsidiary Guarantee of any such Subsidiary Guarantor is held by a final non-appealable order or judgment of a court of competent jurisdiction to be unenforceable or invalid or ceases for any reason to be in full force and effect (other than in accordance with the terms of the applicable Indenture) or any Subsidiary Guarantor or any Person acting on behalf of any Subsidiary Guarantor denies or disaffirms such Subsidiary Guarantor's obligations under its Subsidiary Guarantee (other than by reason of a release of such Subsidiary Guarantor from its Subsidiary Guarantee in accordance with the terms of the applicable Indenture).

If an Event of Default (other than an Event of Default with respect to Cardtronics, Inc. described in clause (8) above) with respect to the Debt Securities of any series at the time Outstanding occurs and is continuing, either the applicable Trustee or the Holders of at least 25% in principal amount of the Outstanding Debt Securities of that series by notice as provided in the Indenture may declare the principal amount of the Debt Securities of that series (or, in the case of any Debt Security that is an Original Issue Discount Debt Security, such portion of the principal amount of such Debt Security as may be specified in the terms of such Debt Security) to be due and payable immediately, together with any accrued and unpaid interest thereon. If an Event of Default with respect to Cardtronics, Inc. described in clause (8) above with respect to the Debt Securities of any series at the time Outstanding occurs, the principal amount of all the Debt Securities of that series (or, in the case of any such Original Issue Discount Security, such specified amount) will automatically, and without any action by the applicable Trustee or any Holder, become immediately due and payable, together with any accrued and unpaid interest thereon. After any such acceleration and its consequences, but before a judgment or decree based on acceleration, the Holders of a majority in principal amount of the Outstanding Debt Securities of that series may, under certain circumstances, rescind and annul such acceleration if all Events of Default with respect to that series, other than the non-payment of accelerated principal (or other specified amount), have been cured or waived as provided in the applicable Indenture. For information as to waiver of defaults, please read Modification and Waiver below.

Subject to the provisions of the Indentures relating to the duties of the Trustees in case an Event of Default has occurred and is continuing, no Trustee will be under any obligation to exercise any of its rights or powers under the applicable Indenture at the request or direction of any of the Holders, unless such Holders have offered

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to such Trustee reasonable security or indemnity. Subject to such provisions for the indemnification of the Trustees, the Holders of a majority in principal amount of the Outstanding Debt Securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Debt Securities of that series.

No Holder of a Debt Security of any series will have any right to institute any proceeding with respect to the applicable Indenture, or for the appointment of a receiver or a trustee, or for any other remedy thereunder, unless:

- (1) such Holder has previously given to the Trustee under the applicable Indenture written notice of a continuing Event of Default with respect to the Debt Securities of that series;
- (2) the Holders of at least 25% in principal amount of the Outstanding Debt Securities of that series have made written request, and such Holder or Holders have offered reasonable security or indemnity, to the Trustee to institute such proceeding as trustee; and
- (3) the Trustee has failed to institute such proceeding, and has not received from the Holders of a majority in principal amount of the Outstanding Debt Securities of that series a direction inconsistent with such request, within 60 days after such notice, request and offer.

However, such limitations do not apply to a suit instituted by a Holder of a Debt Security for the enforcement of payment of the principal of or any premium or interest on such Debt Security on or after the applicable due date specified in such Debt Security or, if applicable, to convert such Debt Security.

We will be required to furnish to each Trustee annually a statement by certain of our officers as to whether or not we, to their knowledge, are in default in the performance or observance of any of the terms, provisions and conditions of the applicable Indenture and, if so, specifying all such known defaults.

## **Modification and Waiver**

We may modify or amend an Indenture without the consent of any holders of the Debt Securities in certain circumstances, including:

- (1) to evidence the succession under the Indenture of another Person to us or any Subsidiary Guarantor and to provide for its assumption of our or such Subsidiary Guarantor's obligations to holders of Debt Securities;
- (2) to make any changes that would add any additional covenants of us or the Subsidiary Guarantors for the benefit of the holders of Debt Securities or that do not adversely affect the rights under the Indenture of the Holders of Debt Securities in any material respect;
- (3) to add any additional Events of Default;
- (4) to provide for uncertificated notes in addition to or in place of certificated notes;
- (5) to secure the Debt Securities;
- (6) to establish the form or terms of any series of Debt Securities;
- (7) to evidence and provide for the acceptance of appointment under the Indenture of a successor Trustee;
- (8) to cure any ambiguity, defect or inconsistency;
- (9) to add Subsidiary Guarantors; or

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(10) in the case of any Subordinated Debt Security, to make any change in the subordination provisions that limits or terminates the benefits applicable to any Holder of Senior Debt.

Other modifications and amendments of an Indenture may be made by us, the Subsidiary Guarantors, if applicable, and the applicable Trustee with the consent of the Holders of not less than a majority in principal amount of the Outstanding Debt Securities of each series affected by such modification or amendment; provided, however, that no such modification or amendment may, without the consent of the Holder of each Outstanding Debt Security affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Debt Security;
- (2) reduce the principal amount of, or any premium or interest on, any Debt Security;
- (3) reduce the amount of principal of an Original Issue Discount Security or any other Debt Security payable upon acceleration of the Maturity thereof;
- (4) change the place or currency of payment of principal of, or any premium or interest on, any Debt Security;
- (5) impair the right to institute suit for the enforcement of any payment due on or any conversion right with respect to any Debt Security;
- (6) modify the subordination provisions in the case of Subordinated Debt Securities, or modify any conversion provisions, in either case in a manner adverse to the Holders of the Subordinated Debt Securities;
- (7) except as provided in the applicable Indenture, release the Subsidiary Guarantee of a Subsidiary Guarantor;
- (8) reduce the percentage in principal amount of Outstanding Debt Securities of any series, the consent of whose Holders is required for modification or amendment of the Indenture;
- (9) reduce the percentage in principal amount of Outstanding Debt Securities of any series necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) modify such provisions with respect to modification, amendment or waiver; or
- (11) following the making of an offer to purchase Debt Securities from any Holder that has been made pursuant to a covenant in such Indenture, modify such covenant in a manner adverse to such Holder.

The Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series may waive compliance by us with certain restrictive provisions of the applicable Indenture. The Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series may waive any past default under the applicable Indenture, except a default in the payment of principal, premium or interest and certain covenants and provisions of the Indenture which cannot be amended without the consent of the Holder of each Outstanding Debt Security of such series.

Each of the Indentures provides that in determining whether the Holders of the requisite principal amount of the Outstanding Debt Securities have given or taken any direction, notice, consent, waiver or other action under such Indenture as of any date:

- (1) the principal amount of an Original Issue Discount Security that will be deemed to be Outstanding will be the amount of the principal that would be due and payable as of such date upon acceleration of maturity to such date;



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(2) if, as of such date, the principal amount payable at the Stated Maturity of a Debt Security is not determinable (for example, because it is based on an index), the principal amount of such Debt Security deemed to be Outstanding as of such date will be an amount determined in the manner prescribed for such Debt Security;

(3) the principal amount of a Debt Security denominated in one or more foreign currencies or currency units that will be deemed to be Outstanding will be the United States-dollar equivalent, determined as of such date in the manner prescribed for such Debt Security, of the principal amount of such Debt Security (or, in the case of a Debt Security described in clause (1) or (2) above, of the amount described in such clause); and

(4) certain Debt Securities, including those owned by us, any Subsidiary Guarantor or any of our other Affiliates, will not be deemed to be Outstanding.

Except in certain limited circumstances, we will be entitled to set any day as a record date for the purpose of determining the Holders of Outstanding Debt Securities of any series entitled to give or take any direction, notice, consent, waiver or other action under the applicable Indenture, in the manner and subject to the limitations provided in the Indenture. In certain limited circumstances, the Trustee will be entitled to set a record date for action by Holders. If a record date is set for any action to be taken by Holders of a particular series, only persons who are Holders of Outstanding Debt Securities of that series on the record date may take such action. To be effective, such action must be taken by Holders of the requisite principal amount of such Debt Securities within a specified period following the record date. For any particular record date, this period will be 180 days or such other period as may be specified by us (or the Trustee, if it set the record date), and may be shortened or lengthened (but not beyond 180 days) from time to time.

**Satisfaction and Discharge**

Each Indenture will be discharged and will cease to be of further effect as to all outstanding Debt Securities of any series issued thereunder, when:

either:

(1) (a) all outstanding Debt Securities of that series that have been authenticated (except lost, stolen or destroyed Debt Securities that have been replaced or paid and Debt Securities for whose payment money has theretofore been deposited in trust and thereafter repaid to us) have been delivered to the Trustee for cancellation; or

(b) all outstanding Debt Securities of that series that have been not delivered to the Trustee for cancellation have become due and payable or will become due and payable at their Stated Maturity within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee and in any case we have irrevocably deposited with the Trustee as trust funds money in an amount sufficient, without consideration of any reinvestment of interest, to pay the entire indebtedness of such Debt Securities not delivered to the Trustee for cancellation, for principal, premium, if any, and accrued interest to the Stated Maturity or redemption date;

(2) we have paid or caused to be paid all other sums payable by us under the Indenture with respect to the Debt Securities of that series; and

(3) we have delivered an Officers Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge of the Indenture with respect to the Debt Securities of that series have been satisfied.

**Legal Defeasance and Covenant Defeasance**

To the extent indicated in the applicable prospectus supplement, we may elect, at our option at any time, to have our obligations discharged under provisions relating to defeasance and discharge of indebtedness, which we call legal defeasance, or relating to defeasance of certain restrictive covenants applied to the Debt Securities of any series, or to any specified part of a series, which we call covenant defeasance.

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### ***Legal Defeasance***

The Indentures provide that, upon our exercise of our option (if any) to have the legal defeasance provisions applied to any series of Debt Securities, we and, if applicable, each Subsidiary Guarantor will be discharged from all our obligations, and, if such Debt Securities are Subordinated Debt Securities, the provisions of the Subordinated Indenture relating to subordination will cease to be effective, with respect to such Debt Securities (except for certain obligations to convert, exchange or register the transfer of Debt Securities, to replace stolen, lost or mutilated Debt Securities, to maintain paying agencies and to hold moneys for payment in trust) upon the deposit in trust for the benefit of the Holders of such Debt Securities of money or U.S. Government Obligations, or both, which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient (in the opinion of a nationally recognized firm of independent public accountants) to pay the principal of and any premium and interest on such Debt Securities on the respective Stated Maturities in accordance with the terms of the applicable Indenture and such Debt Securities. Such defeasance or discharge may occur only if, among other things:

- (1) we have delivered to the applicable Trustee an Opinion of Counsel to the effect that we have received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in either case to the effect that Holders of such Debt Securities will not recognize gain or loss for federal income tax purposes as a result of such deposit and legal defeasance and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and legal defeasance were not to occur;
- (2) no Event of Default or event that with the passing of time or the giving of notice, or both, shall constitute an Event of Default shall have occurred and be continuing at the time of such deposit or, with respect to any Event of Default described in clause (8) under Events of Default, at any time until 121 days after such deposit;
- (3) such deposit and legal defeasance will not result in a breach or violation of, or constitute a default under, any agreement or instrument (other than the applicable Indenture) to which we are a party or by which we are bound;
- (4) in the case of Subordinated Debt Securities, at the time of such deposit, no default in the payment of all or a portion of principal of (or premium, if any) or interest on any Senior Debt shall have occurred and be continuing, no event of default shall have resulted in the acceleration of any Senior Debt and no other event of default with respect to any Senior Debt shall have occurred and be continuing permitting after notice or the lapse of time, or both, the acceleration thereof; and
- (5) we have delivered to the Trustee an Opinion of Counsel to the effect that such deposit shall not cause the Trustee or the trust so created to be subject to the Investment Company Act of 1940.

### ***Covenant Defeasance***

The Indentures provide that, upon our exercise of our option (if any) to have the covenant defeasance provisions applied to any Debt Securities, we may fail to comply with certain restrictive covenants (but not with respect to conversion, if applicable), including those that may be described in the applicable prospectus supplement, and the occurrence of certain Events of Default, which are described above in clause (5) (with respect to such restrictive covenants) and clauses (6), (7) and (9) under Events of Default and any that may be described in the applicable prospectus supplement, will not be deemed to either be or result in an Event of Default and, if such Debt Securities are Subordinated Debt Securities, the provisions of the Subordinated Indenture relating to subordination will cease to be effective, in each case with respect to such Debt Securities. In order to exercise such option, we must deposit, in trust for the benefit of the Holders of such Debt Securities, money or U.S. Government Obligations, or both, which, through the payment of principal and interest in respect

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thereof in accordance with their terms, will provide money in an amount sufficient (in the opinion of a nationally recognized firm of independent public accountants) to pay the principal of and any premium and interest on such Debt Securities on the respective Stated Maturities in accordance with the terms of the applicable Indenture and such Debt Securities. Such covenant defeasance may occur only if we have delivered to the applicable Trustee an Opinion of Counsel to the effect that Holders of such Debt Securities will not recognize gain or loss for federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and covenant defeasance were not to occur, and the requirements set forth in clauses (2), (3), (4) and (5) above are satisfied. If we exercise this option with respect to any series of Debt Securities and such Debt Securities were declared due and payable because of the occurrence of any Event of Default, the amount of money and U.S. Government Obligations so deposited in trust would be sufficient to pay amounts due on such Debt Securities at the time of their respective Stated Maturities but may not be sufficient to pay amounts due on such Debt Securities upon any acceleration resulting from such Event of Default. In such case, we would remain liable for such payments.

If we exercise either our legal defeasance or covenant defeasance option, any Subsidiary Guarantee will terminate.

## **Notices**

Notices to Holders of Debt Securities will be given by mail to the addresses of such Holders as they may appear in the Security Register.

## **Title**

We, the Subsidiary Guarantors, the Trustees and any agent of us, the Subsidiary Guarantors or a Trustee may treat the Person in whose name a Debt Security is registered as the absolute owner of the Debt Security (whether or not such Debt Security may be overdue) for the purpose of making payment and for all other purposes.

## **Governing Law**

The Indentures and the Debt Securities will be governed by, and construed in accordance with, the law of the State of New York.

## **The Trustee**

We will enter into the Indentures with a Trustee that is qualified to act under the Trust Indenture Act of 1939, as amended, and with any other Trustees chosen by us and appointed in a supplemental indenture for a particular series of Debt Securities. We may maintain a banking relationship in the ordinary course of business with our Trustee and one or more of its affiliates.

## ***Resignation or Removal of Trustee***

If the Trustee has or acquires a conflicting interest within the meaning of the Trust Indenture Act, the Trustee must either eliminate its conflicting interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and the applicable Indenture. Any resignation will require the appointment of a successor Trustee under the applicable Indenture in accordance with the terms and conditions of such Indenture.

The Trustee may resign or be removed by us with respect to one or more series of Debt Securities and a successor Trustee may be appointed to act with respect to any such series. The holders of a majority in aggregate principal amount of the Debt Securities of any series may remove the Trustee with respect to the Debt Securities of such series.

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***Limitations on Trustee if It Is Our Creditor***

Each Indenture contains certain limitations on the right of the Trustee, in the event that it becomes our creditor, 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.

***Certificates and Opinions to Be Furnished to Trustee***

In addition to other certificates or opinions that may be specifically required by other provisions of an Indenture, every application by us for action by the Trustee must be accompanied by an Officers Certificate and an Opinion of Counsel stating that, in the opinion of the signers, all conditions precedent to such action have been complied with by us.

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### **DESCRIPTION OF COMMON STOCK**

Our authorized capital stock is 135,000,000 shares. Those shares consist of: (1) 10,000,000 shares of preferred stock, par value \$0.0001 per share, none of which are outstanding; and (2) 125,000,000 shares of common stock, par value \$0.0001 per share, of which 45,009,638 shares were outstanding as of March 12, 2013.

This section describes the general terms of our common stock. For more detailed information, you should refer to our Third Amended and Restated Certificate of Incorporation and our Second Amended and Restated Bylaws, copies of which have been filed with the SEC.

#### **Listing**

Our outstanding shares of common stock are listed on The Nasdaq Global Market under the symbol CATM. Any additional shares of common stock that we issue also will be listed on The Nasdaq Global Market.

#### **Dividends**

Subject to the rights of any then outstanding shares of preferred stock that we may issue, the holders of our common stock may receive such dividends as our board of directors may declare in its discretion out of legally available funds.

#### **Fully Paid**

All outstanding shares of common stock are fully paid and non-assessable. Any additional shares of common stock that we issue will also be fully paid and non-assessable.

#### **Voting Rights**

Subject to any special voting rights of any series of preferred stock that we may issue in the future, the holders of our common stock may vote one vote for each share held in the election of directors and on all other matters voted upon by our stockholders. Under our bylaws, unless otherwise required by Delaware law, action by our stockholders is taken by the affirmative vote of the holders of a majority of the votes cast, except for elections, which are determined by a plurality of the votes cast, at a meeting of stockholders at which a quorum is present. Holders of common stock may not cumulate their votes in the elections of directors.

#### **Other Rights**

We will notify common stockholders of any stockholders' meetings according to applicable law. If we liquidate, dissolve or wind-up our business, either voluntarily or not, holders of our common stock will share equally in our net assets upon liquidation after payment or provision for all liabilities and any preferential liquidation rights of any preferred stock then outstanding. The holders of common stock have no preemptive rights to purchase shares of our common stock. Shares of common stock are not subject to any redemption or sinking fund provisions and are not convertible into any of our other securities.

#### **Anti-Takeover Provisions**

Certain provisions in our certificate of incorporation and bylaws may encourage persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with the board of directors rather than pursue non-negotiated takeover attempts.

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***Classified Board of Directors and Limitations on Removal of Directors***

Our board of directors is divided into three classes. The directors of each class are elected for three-year terms, and the terms of the three classes are staggered so that directors from a single class are elected at each annual meeting of stockholders. Stockholders may remove a director only for cause and only by the affirmative vote of the holders of at least  $66\frac{2}{3}\%$  of the voting power of the then outstanding capital stock of Cardtronics entitled to vote generally in the election of directors, voting together as a single class. In general, our board of directors, not the stockholders, has the right to appoint persons to fill vacancies on the board of directors.

***No Stockholder Action by Unanimous Consent***

Under the Delaware General Corporation Law, unless a company's certificate of incorporation specifies otherwise, any action that could be taken by stockholders at an annual or special meeting may be taken, instead, without a meeting and without notice to or a vote of other stockholders if a consent in writing is signed by holders of outstanding stock having voting power that would be sufficient to take such action at a meeting at which all outstanding shares were present and voted. Our certificate of incorporation and bylaws provide that any action required or permitted to be taken by stockholders must be taken at an annual or special meeting of such stockholders and may not be taken by any consent in writing of such stockholders.

***Blank Check Preferred Stock***

Our certificate of incorporation authorizes the issuance of blank check preferred stock from time to time in one or more series. The board of directors can set the powers, voting powers, designations, preferences and relative, participating, optional or other rights, if any, of each series of preferred stock and the qualifications, limitations or restrictions, if any, of such preferences and/or rights relating to such preferred stock and could issue such stock in either private or public transactions. In some circumstances, the blank check preferred stock could be issued and have the effect of preventing a merger, tender offer or other takeover attempt that the board of directors opposes.

***Business Combinations under Delaware Law***

We are a Delaware corporation and are subject to Section 203 of the Delaware General Corporation Law. Section 203 prevents a person who, together with any affiliates or associates of such person, beneficially owns, directly or indirectly, 15% or more of our outstanding voting stock (an interested stockholder) from engaging in certain business combinations with us for three years following the date that the interested stockholder became an interested stockholder. These restrictions do not apply if:

before the person became an interested stockholder, our board of directors approved either the business combination or the transaction in which the interested stockholder became an interested stockholder;

upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owns at least 85% of our outstanding voting stock at the time the transaction commenced, excluding stock held by directors who are also officers of the corporation and stock held by certain employee stock plans; or

at or subsequent to such time the interested stockholder became an interested stockholder, the business combination is approved by our board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least  $66\frac{2}{3}\%$  of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines a business combination to include (1) any merger or consolidation involving the corporation and an interested stockholder; (2) any sale, lease, transfer, pledge or other disposition involving an interested stockholder of 10% or more of the assets of the corporation; (3) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to an

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interested stockholder; (4) any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder or (5) the receipt by an interested stockholder of any loans, guarantees, pledges or other financial benefits provided by or through the corporation.

### **Special Certificate of Incorporation and Bylaw Provisions**

Our bylaws contain provisions requiring that advance notice be delivered to the secretary of Cardtronics of any business to be brought by a stockholder before an annual or special meeting of stockholders, including the nomination and election of directors. Generally, such advance notice provisions provide that the stockholder must give written notice to the secretary of Cardtronics not less than 120 days prior to the first anniversary date of the annual meeting for the preceding year in the case of an annual meeting and not later than the close of business on the tenth day following the first day on which the date of the special meeting is publicly announced in the case of a special meeting. The notice must set forth specific information regarding such stockholder and such business or director nominee, as described in our bylaws. Such requirement is in addition to those set forth in the regulations adopted by the SEC under the Exchange Act. Our certificate of incorporation and bylaws provide that the number of directors shall not be fewer than three. Each director shall hold office for the term for which that individual is elected and thereafter until that individual's successor is elected or until such individual's earlier death, resignation, retirement, disqualification or removal.

Special meetings of the stockholders for any purpose or purposes may be called at any time by the Chairman of the Board, if any, by a special committee that is duly designated by the Board, or by resolution adopted by the affirmative vote of the majority of the Board of Directors.

Subject to the provisions of our bylaws relating to the voting powers, designations, preferences and relative, participating, optional or other special rights of each class of our capital stock, our bylaws may be amended by the board of directors. Such authority shall not limit the ability of the stockholders to adopt, amend or repeal bylaws.

The foregoing provisions of our certificate of incorporation and bylaws, together with the provisions of Section 203 of the Delaware General Corporation Law, could have the effect of delaying, deferring or preventing a change in control or the removal of existing management, of deterring potential acquirors from making an offer to our stockholders and of limiting any opportunity to realize premiums over prevailing market prices for our common stock in connection therewith. This could be the case notwithstanding that a majority of our stockholders might benefit from such a change in control or offer.

### **Limitation of Liability of Officers and Directors**

Delaware law authorizes corporations to limit or eliminate the personal liability of officers and directors to corporations and their stockholders for monetary damages for breach of officers' and directors' fiduciary duty of care. The duty of care requires that, when acting on behalf of the corporation, officers and directors must exercise an informed business judgment based on all material information reasonably available to them. Absent the limitations authorized by Delaware law, officers and directors are accountable to corporations and their stockholders for monetary damages for conduct constituting gross negligence in the exercise of their duty of care. Delaware law enables corporations to limit available relief to equitable remedies such as injunction or rescission.

Our certificate of incorporation limits the liability of our officers and directors to us and our stockholders to the fullest extent permitted by Delaware law. Specifically, our officers and directors will not be personally liable for monetary damages for breach of an officer's or director's fiduciary duty in such capacity, except for liability:

for any breach of the officer's or director's duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

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for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or

for any transaction from which the officer or director derived an improper personal benefit.

The inclusion of this provision in our certificate of incorporation may reduce the likelihood of derivative litigation against our officers and directors, and may discourage or deter stockholders or management from bringing a lawsuit against our officers and directors for breach of their duty of care, even though such an action, if successful, might have otherwise benefitted us and our stockholders. Our certificate of incorporation provides indemnification to our officers and directors and certain other persons with respect to certain matters to the maximum extent allowed by Delaware law as it exists now or may hereafter be amended. These provisions do not alter the liability of officers and directors under federal securities laws and do not affect the right to sue (nor to recover monetary damages) under federal securities laws for violations thereof.

We entered into an indemnification agreement with each of our directors. The indemnification agreements provide that we indemnify each of our directors to the fullest extent permitted by Delaware General Corporation Law. This means, among other things, that we must indemnify the indemnitee against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement that are actually and reasonably incurred in an action, suit or proceeding by reason of the fact that the person is serving or has served (1) as a director of Cardtronics, (2) in any capacity with respect to any employee benefit plan of Cardtronics, or (3) as a director, partner, trustee, officer, employee, or agent of any other entity at the request of Cardtronics if the indemnitee acted in good faith and, in the case of conduct in his or her official capacity, in a manner he or she reasonably believed not opposed to the best interests of Cardtronics and with respect to any criminal action or proceeding, the indemnitee had reasonable cause to believe that his or her conduct was lawful. Also, the indemnification agreements require that we advance expenses in defending such an action provided that the indemnitee undertakes to repay the amounts if the person ultimately is determined not to be entitled to indemnification.

In general, the disinterested directors on the board of directors or a committee of the board of directors designated by majority vote of the board of directors have the authority to determine an indemnitee's right to indemnification. However, such determination may also be made by (1) if there are no such directors, or if such directors so direct, independent legal counsel in a written opinion or (2) the stockholders.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

**Transfer Agent and Registrar**

Our transfer agent and registrar of the common stock is Wells Fargo Shareowners Services.



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**PLAN OF DISTRIBUTION**

We may sell the offered securities in and outside the United States (1) through underwriters, brokers or dealers; (2) directly to purchasers, including our affiliates and stockholders; (3) through agents, (4) at prevailing market prices by us directly or through a designated agent, including sales made directly or through the facilities of The Nasdaq Global Market or any other securities exchange or quotation or trading service on which such securities may be listed, quoted or traded at the time of sale or (5) through a combination of any of these methods. The prospectus supplement will include the following information:

the terms of the offering;

the names of any underwriters, brokers, dealers or agents;

the name or names of any managing underwriter or underwriters;

the purchase price or public offering price of the securities;

the net proceeds to us from the sale of the securities;

any delayed delivery arrangements;

any underwriting discounts, commissions and other items constituting underwriters' compensation;

any discounts or concessions allowed or reallocated or paid to dealers;

any commissions paid to agents;

any securities exchange or market on which the securities may be listed.

**Sale Through Underwriters or Dealers**

If underwriters are used in the sale, the underwriters will acquire the securities for their own account for resale to the public, either on a firm commitment basis or a best efforts basis. The underwriters may resell the securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Underwriters may offer securities to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. Unless we inform you otherwise in the prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to certain conditions. The underwriters may change from time to time any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

We may also make direct sales through subscription rights distributed to our existing stockholders on a pro rata basis, which may or may not be transferable. In any distribution of subscription rights to our stockholders, if all of the underlying securities are not subscribed for, we may then sell the unsubscribed securities directly to third parties or may engage the services of one or more underwriters, dealers or agents, including standby underwriters, to sell the unsubscribed securities to third parties.

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During and after an offering through underwriters, the underwriters may purchase and sell the securities in the open market. These transactions may include overallotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. The underwriters may also impose a penalty bid, which means that selling concessions allowed to syndicate members or other broker-dealers for the offered securities sold for their account may be reclaimed by the syndicate if the offered securities are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the offered securities, which may be higher than the price that might otherwise prevail in the open market. If commenced, the underwriters may discontinue these activities at any time.

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Some or all of the debt securities that we offer through this prospectus may be new issues of securities with no established trading market. Any underwriters to whom we sell such securities for public offering and sale may make a market in those securities, but they will not be obligated to do so and they may discontinue any market making at any time without notice. Accordingly, we cannot assure you of the liquidity of, or continued trading markets for, any debt securities that we offer.

If dealers are used in the sale of securities, we will sell the securities to them as principals. The dealers may then resell those securities to the public at varying prices determined by the dealers at the time of resale. We will include in the prospectus supplement the names of the dealers and the terms of the transaction.

The maximum compensation any FINRA member or independent broker dealer will receive in connection with the sale of any securities under this prospectus and the registration statement of which it forms a part will not exceed eight percent for the sale of any securities being registered.

## **Direct Sales and Sales through Agents**

We may sell the securities directly. In that case, no underwriters or agents would be involved. We may also sell the securities through agents designated from time to time. In the prospectus supplement, we will name any agent involved in the offer or sale of the offered securities, and we will describe any commissions payable to the agent. Unless we inform you otherwise in the prospectus supplement, any agent will agree to use its reasonable best efforts to solicit purchases for the period of its appointment.

We may sell the securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act with respect to any sale of those securities. We will describe the terms of any such sales in the prospectus supplement.

## **Remarketing Arrangements**

Offered securities may also be offered and sold, if so indicated in the applicable prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more remarketing firms, acting as principals for their own accounts or as agents for us. Any remarketing firm will be identified and the terms of its agreements, if any, with us and its compensation will be described in the applicable prospectus supplement. Remarketing firms may be deemed to be underwriters, as that term is defined in the Securities Act, in connection with the securities remarketed.

## **Delayed Delivery Contracts**

If we so indicate in the prospectus supplement, we may authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase debt securities from us at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions described in the prospectus supplement. The prospectus supplement will describe the commission payable for solicitation of those contracts.

## **General Information**

We may have agreements with the agents, dealers, underwriters and remarketing firms to indemnify them against certain civil liabilities, including liabilities under the Securities Act, or to contribute with respect to payments that the agents, dealers, underwriters or remarketing firms may be required to make.

Agents, dealers, underwriters and remarketing firms may be customers of, engage in transactions with or perform services for us in the ordinary course of their businesses.

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**LEGAL MATTERS**

Our counsel, Vinson & Elkins L.L.P., Houston, Texas, will pass upon certain legal matters in connection with the offered securities. Any underwriters will be advised about other issues relating to any offering by their own legal counsel.

**EXPERTS**

The consolidated financial statements of Cardtronics, Inc. as of December 31, 2012 and 2011, and for each of the years in the three-year period ended December 31, 2012, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2012 have been incorporated by reference herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

**Table of Contents****PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 14. Other Expenses of Issuance and Distribution.**

The following table sets forth the estimated expenses in connection with the issuance and distribution of the securities covered by this registration statement, other than underwriting discounts and commissions. All of the expenses will be borne by us.

SEC registration fee	\$	*
Legal fees and expenses		**
Accounting fees and expenses		**
Printing and engraving costs		**
FINRA filing fee		**
Miscellaneous expenses		**
<b>Total</b>	<b>\$</b>	<b>**</b>

\* The registrants are deferring payment of the registration fee in reliance on Rules 456(b) and 457(r) of the Securities Act.

\*\* These fees are calculated based on the number of issuances and amount of securities offered and accordingly cannot be estimated at this time.

**Item 15. Indemnification of Directors and Officers.**

Section 145(a) of the General Corporation Law of the State of Delaware (the "DGCL"), in which Cardtronics, Inc. is incorporated, provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. Section 145(b) of the DGCL provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper. To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145 of the DGCL, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.



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Any indemnification under subsections (a) and (b) of Section 145 of the DGCL (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of Section 145. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders. Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The indemnification and advancement of expenses provided by, or granted pursuant to, Section 145 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

Section 145 of the DGCL also empowers a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under Section 145.

Article Nine of our Third Amended and Restated Certificate of Incorporation provides that our agents may be indemnified to the fullest extent permitted by Section 145 of the DGCL and Article 6.2 of our Second Amended and Restated Bylaws provides that our agents shall be indemnified to the fullest extent authorized by the DGCL.

We entered into an indemnification agreement with each of our directors. The indemnification agreements provide that we indemnify each of our directors to the fullest extent permitted by The DGCL. This means, among other things, that we must indemnify the indemnitee against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement that are actually and reasonably incurred in an action, suit or proceeding by reason of the fact that the person is serving or has served (i) as a director of Cardtronics, (ii) in any capacity with respect to any employee benefit plan of Cardtronics, or (iii) as a director, partner, trustee, officer, employee, or agent of any other entity at the request of Cardtronics if the indemnitee acted in good faith and, in the case of conduct in his or her official capacity, in a manner he or she reasonably believed not opposed to the best interests of Cardtronics and with respect to any criminal action or proceeding, the indemnitee had reasonable cause to believe that his or her conduct was lawful. Also, the indemnification agreements require that we advance expenses in defending such an action provided that the indemnitee undertakes to repay the amounts if the person ultimately is determined not to be entitled to indemnification.

In general, the disinterested directors on the board of directors or a committee of the board of directors designated by majority vote of the board of directors have the authority to determine an indemnitee's right to indemnification. However, such determination may also be made by (i) if there are no such directors, or if such directors so direct, independent legal counsel in a written opinion or (ii) the stockholders.

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We carry directors and officers liability coverages designed to insure our officers and directors and those of our subsidiaries against certain liabilities incurred by them in the performance of their duties, and also providing for reimbursement in certain cases to us and our subsidiaries for sums paid to directors and officers as indemnification for similar liability.

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

(a) *Exhibits.* The following documents are filed as exhibits to this registration statement:

- 1.1\*\* Form of Underwriting Agreement.
- 4.1\* Form of Senior Indenture.
- 4.2\* Form of Subordinated Indenture.
- 4.3 Indenture, dated August 26, 2010 among Cardtronics, Inc. the Subsidiary Guarantors defined therein, and Wells Fargo Bank, N.A., as trustee (incorporated herein by reference to Exhibit 4.1 of the Current Report on Form 8-K filed by Cardtronics, Inc. on August 26, 2010, File No. 001-33864).
- 4.4 First Supplemental Indenture, dated August 26, 2010, among Cardtronics, Inc. the Subsidiary Guarantors defined therein, and Wells Fargo Bank, N.A., as trustee (incorporated herein by reference to Exhibit 4.2 of the Current Report on Form 8-K filed by Cardtronics, Inc. on August 26, 2010, File No. 001-33864).
- 4.5 Form of 8 <sup>1</sup>/<sub>4</sub>% Senior Notes due 2018 (incorporated by reference to Annex A to Exhibit 4.4 hereto).
- 5.1\* Opinion of Vinson & Elkins L.L.P. as to the legality of the securities being registered.
- 12.1\* Statement of Computation of Ratio of Earnings to Fixed Charges.
- 23.1\* Consent of KPMG LLP.
- 23.2\* Consent of Vinson & Elkins L.L.P. (contained in Exhibit 5.1).
- 24.1\* Powers of Attorney (contained on signature pages).
- 25.1\*\*\* Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 respecting the Senior Indenture.
- 25.2\*\*\* Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 respecting the Subordinated Indenture.

\* Filed herewith.

\*\* To be filed by amendment or as an exhibit to a Current Report on Form 8-K of the registrant.

\*\*\* To be filed later in accordance with Section 310(a) of the Trust Indenture Act of 1939, as amended.

(b) *Financial Statement Schedules*

No financial statement schedules are included herein. All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions, are inapplicable, or the information is included in the consolidated financial statements, and have therefore been omitted.

(c) *Reports, Opinions, and Appraisals*

The following reports, opinions, and appraisals are included herein: None.



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**Item 17. Undertakings.**

Each undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

a. To include any prospectus required by section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

b. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

c. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

*Provided, however,* that paragraphs 1(a), 1(b) and 1(c) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or 15(d) of the Exchange Act that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

2. That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

4. That, for the purpose of determining liability under the Securities Act to any purchaser:

a. Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

b. Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of

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contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

5. That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, each undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, each undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- a. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- b. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- c. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- d. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

6. That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Exchange Act that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

7. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, each registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

8. To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act of 1939, as amended (the Act) in accordance with the rules and regulations prescribed by the Commission under section 305(b)(2) of the Act.

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on March 13, 2013.

**CARDTRONICS, INC.**

By: /s/ J. Chris Brewster  
 J. Chris Brewster  
 Chief Financial Officer

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints J. Chris Brewster and E. Brad Conrad and each of them, any of whom may act without joinder of the other, his lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement and to file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents, and each of them, or the substitute or substitutes of any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on March 13, 2013.

<b>Signature</b>	<b>Title</b>
/s/ Steven A. Rathgaber Steven A. Rathgaber	Chief Executive Officer and Director (Principal Executive Officer)
/s/ J. Chris Brewster J. Chris Brewster	Chief Financial Officer (Principal Financial Officer)
/s/ E. Brad Conrad E. Brad Conrad	Chief Accounting Officer (Principal Accounting Officer)
/s/ Dennis Lynch Dennis Lynch	Chairman of the Board of Directors
/s/ Tim Arnoult Tim Arnoult	Director
/s/ Robert P. Barone Robert P. Barone	Director
/s/ Jorge M. Diaz Jorge M. Diaz	Director
/s/ G. Patrick Phillips G. Patrick Phillips	Director
/s/ Mark Rossi Mark Rossi	Director
/s/ Juli Spottiswood Juli Spottiswood	Director

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on March 13, 2013.

**CARDTRONICS HOLDING, LLC**

By: /s/ J. Chris Brewster  
J. Chris Brewster

Chief Financial Officer

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints J. Chris Brewster and E. Brad Conrad and each of them, any of whom may act without joinder of the other, his lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement and to file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents, and each of them, or the substitute or substitutes of any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on March 13, 2013.

<b>Signature</b>	<b>Title</b>
/s/ Michael E. Keller Michael E. Keller	Director and Secretary
/s/ Steven A. Rathgaber Steven A. Rathgaber	Chief Executive Officer (Principal Executive Officer)
/s/ J. Chris Brewster J. Chris Brewster	Chief Financial Officer (Principal Financial Officer)
/s/ E. Brad Conrad E. Brad Conrad	Chief Accounting Officer (Principal Accounting Officer)

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on March 13, 2013.

**ATM NATIONAL, LLC**

By: /s/ Benjamin Psillas  
Benjamin Psillas  
President

*Managed Services* This set of flexible strategic sourcing services is uniquely tailored for the service provider industry to outsource the performance and management of their support business functions, operations and infrastructure support across all environments, whether Amdocs systems or other implementations. Managed services offerings include comprehensive software and other services related to the managed operations, such as IT and infrastructure management, application management and ongoing support, systems modernization and consolidation, business process operation support, end to end transformational business process outsourcing (BPO), IT outsourcing (ITO) and delivery. Our managed services models can be leveraged to support day-to-day operations and to foster strategic business objectives. *Product Support Services* These services are designed to help our customers solve key challenges and to protect and maximize their investment in our products throughout the entire product life cycle. Our global product support organization uses certified methodologies and provides support options, including online services and personalized interactions.

The extent of services provided varies from customer to customer. Our services engagements can range in size and scope from deploying single point solutions to orchestrating large-scale transformation projects. Depending on the customer's needs, system implementation and integration activities are often conducted jointly by teams from Amdocs and the customer. Implementation and integration activities include project management, development of training methods and procedures, design of work flows, hardware planning and installation, network and system design and installation, system conversion and documentation. In some cases, Amdocs personnel provide support services to the customer's own implementation and integration team, which has primary responsibility for the task. In other cases, we take a primary role in facilitating implementation and integration. In yet other instances, customers require turnkey solutions, in which case we provide full system implementation and integration services.

Once the system becomes operational, we are generally retained by the customer to provide ongoing services, such as maintenance, enhancement design and development and operational support. For a substantial number of our customers, the implementation and integration of an initial system has been followed by the sale of additional systems and modules. We aim to establish long-term maintenance and support contracts with our customers. These contracts generally involve an expansion in the scope of support provided, while also providing us with recurring revenue.

Our business is conducted on a global basis. We maintain development and support facilities worldwide, including Brazil, Cyprus, India, Ireland, Israel and the United States, and have operations in North America, Europe, Israel, Latin America and the Asia-Pacific region.

***Sales and Marketing***

Our sales and marketing activities are primarily directed at major communications, media and entertainment companies. As a result of the strategic importance of our customer experience systems to the operations of these

companies, a number of constituencies within a customer's organization are typically involved in purchasing decisions, including senior management, information systems personnel and user groups, such as the finance, customer service and marketing departments. We maintain sales offices in the United States, Europe, Latin America and Asia Pacific.

Our sales activities are supported by marketing efforts and increasing cooperation with strategic partners. We interact with other third parties in our sales activities, including independent sales agents, information systems consultants engaged by our customers or prospective customers and systems integrators that provide complementary products and services to such customers. We also have value-added reseller agreements with certain hardware and database vendors. Our marketing activities also continue to support projects with partner companies, such as IBM, Alcatel-Lucent, Hewlett-Packard and others.

### *Customers*

Our target market is comprised of service providers in the communication, media and entertainment industry that require customer experience systems with advanced functionality and technology. The companies in our target segment are typically market leaders. By working with such companies, we help ensure that we remain at the

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forefront of developments in the communication, media and entertainment industry and that our product offerings continue to address the market's most sophisticated needs. We have an international orientation. We have a broad base of customers in North America and Europe, however, due to our expansion in emerging markets, we also have customers in geographies as diverse as the Commonwealth of Independent States, India, Latin America and Southeast Asia.

Our customers include global communications leaders and leading network operators and service providers, as well as directory publishers in the United States and around the world. Our customers include:

America Movil	DexOne
AT&T	Rogers
Bakcell	Sprint Nextel
Bell Canada	Telefonica de Espana
BT	Telefonica 02 Germany
Cablevision	Telkom South Africa
Cellcom	Telstra
Claro Brazil	TELUS
Clearwire	T-Mobile
Comcast	TIM Brasil
Deutsche Telekom	US Cellular
DIRECTV	Verizon Communications
Elisa	VimpelCom
Instituto Costarricense de Electricidad	Virgin Media
J:COM	Vodafone Germany
Kazakhtelecom	Vodafone Netherlands
KPN	Vodafone UK
MetroPCS	XL Axiata

Our business is dependent on a limited number of significant customers, of which AT&T has historically been our largest. AT&T accounted for 29% of our revenue in fiscal 2011 and 2010. In fiscal 2011, our two next largest customers were Bell Canada and Sprint Nextel, and certain of their subsidiaries, each of which accounted for approximately 10% or more of our revenue in fiscal 2011. Revenue from Bell Canada will be negatively affected by a scheduled price reduction under our contract with Bell Canada to be effective in fiscal 2012. Aggregate revenue derived from the multiple business arrangements we have with our ten largest customers accounted for approximately 73% of our revenue in fiscal 2011 and 75% of our revenue in fiscal 2010. The following is a summary of revenue by geographic area. Revenue is attributed to geographic region based on the location of the customer:

	2011	2010	2009
North America	73.4%	75.8%	75.3%
Europe	12.7	11.8	13.8
Rest of the World	13.9	12.4	10.9

***Competition***

The market for customer experience systems and services in the communication, media and entertainment industry continues to become increasingly more competitive. Amdocs' competitive landscape is comprised of internal IT

departments of large communication companies as well as independent competitors that can be categorized as follows:

providers of BSS/OSS systems, including Comverse, Convergys, CSG Systems, Ericsson/Telcordia and Oracle;



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system integrators and providers of IT services, such as Accenture, Cognizant, Hewlett-Packard, Huawei, IBM Global Services, Infosys, Tata Consultancy Services, Tech Mahindra Ltd and Wipro (some of whom we also cooperate with in certain opportunities and projects); and

network equipment providers such as Alcatel-Lucent, Ericsson, Huawei, Nokia Siemens, NEC and ZTE (some of whom we also cooperate with in certain opportunities and projects).

We expect the competition in our industry to increase from such companies.

We believe that we are able to differentiate ourselves from these competitors by, among other things:

applying our nearly 30-year heritage to the development and delivery of products and professional services that enable our customers to achieve service differentiation by means of an intentional customer experience,

focusing on communications service providers and continuing to design and develop solutions targeted specifically to this industry,

innovating and enabling our customers to adopt new business models that will improve their ability to drive new revenues, and compete and win in a changing market,

providing high-quality, reliable, scalable, integrated, yet modular applications,

providing flexible and tailored IT and business process outsourcing solutions and delivery models, and

offering customers end-to-end accountability from a single vendor.

We compete with a number of companies that have long operating histories, large customer bases, substantial financial, technical, sales, marketing and other resources, and strong name recognition. Some of these companies are continuing their attempts to expand their market penetration in the communications industry. Current and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties to increase their ability to address the needs of our existing or prospective customers. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. There can be no assurance that we will be able to compete successfully with existing or new competitors. Our failure to adapt to changing market conditions and compete successfully with established or new competitors would have a material adverse effect on the results of our operations and financial condition.

***Employees***

We invest significant resources in the training, retention and motivation of high quality personnel. Training programs cover areas such as technology, applications, development methodology, project methodology, programming standards, industry background, business, management development and leadership. Our management development efforts are reinforced by an organizational structure that provides opportunities for talented managers to gain experience in general management roles. We also invest considerable resources in personnel motivation, including providing various incentive plans for sales staff and high quality employees. Our future success depends in large part upon our continuing ability to attract and retain highly qualified managerial, technical, sales and marketing personnel and outstanding leaders.

See [Directors, Senior Management and Employees](#) [Workforce Personnel](#) for further details regarding our employees and our relationships with them.

***Research and Development, Patents and Licenses***

Our research and development activities involve the development of new software architecture, modules and product offerings in response to an identified market demand, either as part of our internal product development programs or in conjunction with a customer project. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications markets and to provide new and enhanced functionality to our existing product offerings.

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In fiscal 2011, we continued to release aspects of our Amdocs CES (Customer Experience Systems) 8 portfolio. We are planning additional releases of Amdocs CES 8 throughout 2012. We dedicated significant efforts and resources to the integration among CES 8 portfolio including deeper integration between our charging and billing, customer relationship management, ordering and foundation applications. The CES 8 portfolio was designed to enable our customers to support new business models, devices and partnerships by centralizing common assets, such as customer, network and product data. Our portfolio of pre-integrated software products was built to span the entire customer lifecycle across BSS and OSS to align their business processes around the end customer. Our products are designed to allow modular expansion as a service provider evolves, ensuring rapid, low-cost, reduced-risk implementations. In addition, Amdocs focuses on offering business solutions that leverage functionality from across the CES portfolio combined with services and industry knowledge. These business solutions address larger business problems and provide greater value to our customers.

Our next major product portfolio release will address additional challenges and opportunities of the connected world by delivering enhanced functionality to enable our customers to implement more cost-effective innovative solutions relating to network monetization and enhanced customer experience. For software development, Amdocs uses Agile, a software development methodology based on iterative and incremental development where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.

The majority of our research and development expenditures is directed at our customer experience systems, and the remainder is directed at directory solutions. We believe that our research and development efforts are a key element of our strategy and are essential to our success. However, an increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

Our products are largely comprised of software and systems that we have developed or acquired and that we regard as proprietary. Our software and software systems are the results of long and complex development processes, and although our technology is not significantly dependent on patents or licenses from third parties, certain aspects of our products make use of readily available software components licensed from third parties. As a developer of complex software systems, third parties may claim that portions of our systems infringe their intellectual property rights. The ability to develop and use our software and software systems requires knowledge and professional experience that we believe is unique to us and would be very difficult for others to independently obtain. However, our competitors may independently develop technologies that are substantially equivalent or superior to ours. We have taken, and intend to continue to take, several measures to establish and protect our proprietary rights in our products and technologies from third-party infringement. We rely upon a combination of trademarks, patents, contractual rights, trade secret law, copyrights and nondisclosure agreements. We enter into non-disclosure and confidentiality agreements with our customers, employees and marketing representatives and with certain contractors with access to sensitive information; and we also limit customer access to the source code of our software and software systems.

See the discussion under Operating and Financial Review and Prospects Research and Development, Patents and Licenses.

**Table of Contents*****Property, Plants and Equipment******Facilities***

We lease land and buildings for our executive offices, sales, marketing, administrative, development and support centers. We lease an aggregate of approximately 2.8 million square feet worldwide, including significant leases in the United States, Israel, Canada, Cyprus, India and the United Kingdom. Our aggregate annual lease costs with respect to our properties as of October 31, 2011, including maintenance and other related costs, were approximately \$58 million. The following table summarizes information with respect to the principal facilities leased by us and our subsidiaries as of October 31, 2011:

<b>Location</b>	<b>Area (Sq. Feet)</b>
United States:	
St. Louis, MO	91,928
San Jose, CA(*)	112,120
Champaign, IL	178,063
Eldorado Hills, CA(*)	113,291
Others	210,457
<b>Total</b>	<b>705,859</b>
Israel:	
Raanana	674,413
Hod-Hasharon	81,138
Haifa	38,147
Others(*)	108,665
<b>Total</b>	<b>902,363</b>
Canada:	
Toronto(*)	76,317
Montreal	59,537
Ottawa	40,422
<b>Total</b>	<b>176,276</b>
Cyprus (Limassol)	74,675
India:	
Pune	548,277
Delhi	134,533
<b>Total</b>	<b>682,810</b>
United Kingdom(*)	79,095
Rest of the world(*)(**)	186,323
<b>Total</b>	<b>2,807,401</b>

(\*) Includes space sublet to third parties.

(\*\*) Primarily includes Australia, Austria, Brazil, China, Czech Republic, France, Indonesia, Ireland, Malaysia, Mexico, Netherlands, Russia, and South Africa.

Our leases expire on various dates between calendar years 2011 through 2020, not including various options to terminate or extend lease terms.

*Equipment*

We develop our customer experience systems over a system of UNIX, Linux and Windows servers owned or leased by us. We use a variety of software products in our development centers, including products by Microsoft,

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Oracle, Synscsort, RedHat, CA, IBM and Hewlett-Packard. Our data storage is based on equipment from EMC, SUN, NetApp, IBM, Hitachi and Hewlett-Packard. Our development servers are connected to more than 20,000 personal computers owned or leased by us.

Automatic tape libraries and virtual tape libraries (VTL) provide full and incremental backups of the data used in and generated by our business. The backup tapes are kept on-site and off-site, as appropriate, to ensure security and integrity, and are used as part of our disaster recovery plan. The distributed development sites that we operate worldwide are connected by a high-speed redundant wide area network, using telecommunication equipment manufactured by, among others, Cisco and Avaya.

**ITEM 4A. *UNRESOLVED STAFF COMMENTS***

Not applicable.

**ITEM 5. *OPERATING AND FINANCIAL REVIEW AND PROSPECTS***

**Overview of Business and Trend Information**

Amdocs is a leading provider of software and services for communications, media and entertainment industry service providers. Although our market focus has traditionally been primarily on Tier-1 and Tier-2 service providers in developed markets, we have also focused in the last several years on Tier-3 and Tier-4 providers in developed markets, and on providers in emerging markets, such as the Commonwealth of Independent States, India, Latin America and Southeast Asia. Regardless of whether providers are bringing their first offerings to market, scaling for growth, consolidating systems or transforming the way they do business, we believe that providers seek to differentiate their offerings by delivering a customer experience that is simple, personal and valuable at every point of service. We refer to this type of customer experience as the intentional customer experience.

We develop, implement and manage software and services associated with business support systems (BSS) and operational support systems (OSS), to enable service providers to introduce new products quickly, understand their customers more deeply, process orders more efficiently and support new business models. We refer to these systems collectively as customer experience systems because of the crucial impact that these systems have on the service providers end-user experience.

In a global communications industry impacted by unprecedented growth in data demand, increasing number of connected devices, improvement in M2M technologies, the rising influence of device makers and over-the-top players that bypass traditional television providers, consumers expect immediate and constant connectivity to personalized services, information and applications. To capture new revenue streams in this connected world, service providers will need the ability to expand within existing and non-traditional business models as they simultaneously attempt to reduce their costs in providing current and new services. We seek to address these market forces through a strategy of innovation from the network and business support systems to the device and end user. Our goal is to supply cost-effective, scalable software products and services that provide functionality and flexibility to service providers as they and their markets grow and change.

In part, we have sought to expand both our functionality and geographic markets through acquisitions. Since 1999, we have completed numerous acquisitions, which, among other things, have expanded our business into customer care and billing solutions for cable and satellite companies and enhanced our offerings in the OSS, digital content and commerce markets and high growth emerging markets. In fiscal 2011, we acquired Bridgewater Systems, a Canadian-based provider of policy management and network control solutions. As part of our strategy, we may continue to pursue acquisitions and other initiatives in order to offer new products or services, or otherwise enhance

our market position or strategic strengths.

Please see Note 3 to our consolidated financial statements for more information regarding our acquisitions.

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### **Offerings**

Amdocs offerings of software and related services consist of:

A complete, modular yet integrated portfolio of customer experience systems, including revenue management (convergent charging and billing, mediation, and partner relationship management), customer management (customer care, and sales and ordering), OSS (network planning, service fulfillment, service assurance, inventory and discovery, service order management and OSS systems integration services), service delivery (convergent service platform, digital services, and convergent applications), portfolio enablers and network control.

A comprehensive line of services. Because our customers projects are complex and require systems support expertise, we provide business process and information technology, or IT, services, including consulting, systems integration and delivery services, managed services and product support to assist our customers with their business strategy, system implementation, integration, modification, consolidation, modernization, ongoing support, enhancement and maintenance needs. In addition, we offer comprehensive learning services to help our customers develop competency in their Amdocs systems and applications.

We have designed our customer experience systems to meet the high-volume, complex needs of Tier-1 and Tier-2 service providers and to address the unique issues of service providers in high growth emerging markets. We support our customers various lines of business, including wireline, wireless, cable and satellite, and a wide range of communication services, including voice, video, data, broadband, content, electronic and mobile commerce applications. In addition, we support companies that offer bundled or convergent service packages.

We also offer advertising and media products and services for local marketing service providers and search and directory publishers designed to enable those providers and publishers to manage the entire media selling, fulfillment, consumer experience and financial processes across online, print and mobile media.

We conduct our business globally, and as a result we are subject to the effects of global economic conditions and, in particular, market conditions in the communications, media and entertainment industry. In fiscal 2011, customers in North America accounted for 73.4% of our revenue, while customers in Europe and the rest of the world accounted for 12.7% and 13.9%, respectively. Customers in emerging markets accounted for 8.6% of our revenue in fiscal 2011. We maintain development facilities in Brazil, Cyprus, India, Ireland, Israel and the United States. Historically, AT&T has been our largest customer, accounting for 29% of our revenue in fiscal 2010 and 2011. Aggregate revenue derived from the multiple business arrangements we have with our ten largest customers accounted for approximately 73% of our revenue in fiscal 2011 and 75% of our revenue in fiscal 2010.

We believe that demand for our customer experience systems is primarily driven by the following key factors:

Industry transformation, including:

- increasing use of communications and content services,
- widespread access to content, information and applications,
- continued rapid growth in emerging markets,
- expansion into new lines of business



consolidation among service providers in established markets, often including companies with multi-national operations,

increased competition, including non-traditional players,

continued bundling and blending of communications and entertainment, and

continued commoditization and pricing pressure.

Technology advances, such as:

emergence and development of new communications products and services, such as web services, video, broadband, data and content services, including IP-based services, such as Internet Protocol (IP), Internet

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Protocol Television (IPTV), machine-to-machine (M2M), worldwide interoperability for microwave access (WiMax) and Voice over IP (VoIP),

evolution to and expansion of more sophisticated and connected communication devices, such as smart devices, electronic book readers, energy meters, global positioning systems and home security systems that enable communication across and between devices and widespread access to information,

evolution to next-generation networks, such as IP Multimedia Subsystem (IMS), that enable converged services offerings, such as fixed-mobile convergence, and

technological changes, such as the introduction of 3G and 4G wireless technology, next-generation content systems, FTTx, Carrier Ethernet, WiMax-, and LTE-based access technologies.

Customer focus, such as:

the need for service providers to focus on their customers in order to build profitable customer relationships,

the need for service providers to have a unified view of the customer across multiple services, devices and channels,

the authority shift toward the consumer, with increased customer expectations for new, innovative services and applications that are personally relevant and that can be accessed anytime, anywhere and from any device,

the ever-increasing expectation of customer service and support, including access to self-service options that are convenient and consistent across all channels, and

the need for service providers to differentiate themselves by creating a unique and mutually-valuable customer experience.

The need for operational efficiency, including:

the shift from in-house management to vendor solutions,

business needs of service providers to reduce costs and lower total cost of ownership of software systems while retaining high-value customers in a highly competitive environment,

automating and integrating business processes that span service providers BSS and OSS systems and create a simple, one-company face to customers,

implementing and integrating new next-generation networks (and retiring legacy networks) to deploy new technologies, and

transforming fragmented legacy OSS systems to introduce new services in a timely and cost-effective manner.

In fiscal 2011, our total revenue was \$3.18 billion, of which \$2.98 billion, or 93.7%, was attributable to the sale of customer experience systems. Revenue from managed services arrangements (for customer experience systems and directory systems) is included in both license and service revenue. Revenue generated in connection with managed

services arrangements is a significant part of our business generating substantial, long-term recurring revenue streams and cash flow. Revenue from managed services arrangements accounted for approximately \$1.52 billion and \$1.40 billion of revenue in fiscal 2011 and 2010, respectively. In managed services contracts revenue from the operation of a customer's system is recognized as services are performed based on time elapsed, output produced or volume of data processed. In the initial period of our managed services projects, we often invest in modernization and consolidation of the customer's systems. Managed services engagements can be less profitable in their early stages; however, margins tend to improve over time, more rapidly in the initial period of an engagement, as we derive benefit from the operational efficiencies and from changes in the geographical mix of our resources.

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**Research and Development, Patents and Licenses**

Our research and development activities involve the development of new software architecture, modules and product offerings in response to an identified market demand, either as part of our internal product development programs or in conjunction with a customer project. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications markets and to provide new and enhanced functionality to our existing product offerings.

In fiscal 2011, we continued to release aspects of our Amdocs CES (Customer Experience Systems) 8 portfolio. We are planning additional releases of Amdocs CES 8 throughout 2012. We dedicated significant efforts and resources to the integration among CES 8 portfolio including deeper integration between our charging and billing, customer relationship management, ordering and foundation applications. The CES 8 portfolio was designed to enable our customers to support new business models, devices and partnerships by centralizing common assets, such as customer, network and product data. Our portfolio of pre-integrated software products was built to span the entire customer lifecycle across BSS and OSS to align their business processes around the end customer. Our products are designed to allow modular expansion as a service provider evolves, ensuring rapid, low-cost, reduced-risk implementations. In addition, Amdocs focuses on offering business solutions that leverage functionality from across the CES portfolio combined with services and industry knowledge. These business solutions address larger business problems and provide greater value to our customers.

Our next major product portfolio release will address additional challenges and opportunities of the connected world by delivering enhanced functionality to enable our customers to implement more cost-effective and innovative solutions relating to network monetization and enhanced customer experience. For software development, Amdocs uses Agile, a software development methodology based on iterative and incremental development where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.

The majority of our research and development expenditures is directed at our customer experience systems, and the remainder is directed at directory solutions. We believe that our research and development efforts are a key element of our strategy and are essential to our success. However, an increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

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The following table sets forth for the fiscal years ended September 30, 2011, 2010 and 2009, certain items in our consolidated statements of income reflected as a percentage of total revenue:

	<b>Year Ended September 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Revenue:			
License	3.8%	3.4%	4.7%
Service	96.2	96.6	95.3
	100.0	100.0	100.0
Operating expenses:			
Cost of license	0.1	0.1	0.1
Cost of service	65.0	63.8	64.0
Research and development	7.0	7.0	7.3
Selling, general and administrative	12.9	12.5	12.0
Amortization of purchased intangible assets and other	2.3	2.9	3.0
Restructuring charges and in-process research and development			0.8
	87.3	86.3	87.2
Operating income	12.7	13.7	12.8
Interest and other expense, net	0.3	0.8	
Income before income taxes	12.4	12.9	12.8
Income taxes	1.5	1.4	1.4
Net income	10.9%	11.5%	11.4%

**Table of Contents*****Fiscal Years Ended September 30, 2011 and 2010***

The following is a tabular presentation of our results of operations for the fiscal year ended September 30, 2011, compared to the fiscal year ended September 30, 2010. Following the table is a discussion and analysis of our business and results of operations for these years.

	<b>Year ended September 30,</b>		<b>Increase (Decrease)</b>	
	<b>2011</b>	<b>2010</b>	<b>Amount</b>	<b>%</b>
	<b>(In thousands)</b>			
Revenue:				
License	\$ 119,237	\$ 100,967	\$ 18,270	18.1%
Service	3,058,491	2,883,256	175,235	6.1
	3,177,728	2,984,223	193,505	6.5
Operating expenses:				
Cost of license	2,627	2,021	606	30.0
Cost of service	2,066,740	1,903,645	163,095	8.6
Research and development	221,886	207,836	14,050	6.8
Selling, general and administrative	409,465	373,585	35,880	9.6
Amortization of purchased intangible assets and other	72,646	86,703	(14,057)	(16.2)
	2,773,364	2,573,790	199,574	7.8
Operating income	404,364	410,433	(6,069)	(1.5)
Interest and other expense, net	8,657	25,135	(16,478)	(65.6)
Income before income taxes	395,707	385,298	10,409	2.7
Income taxes	49,042	41,392	7,650	18.5
Net income	\$ 346,665	\$ 343,906	\$ 2,759	0.8%

*Revenue.* Total revenue increased by \$193.5 million, or 6.5%, to \$3,177.7 million in fiscal 2011, from \$2,984.2 million in fiscal 2010. The increase in revenue was primarily attributable to revenue related to existing and new managed services arrangements and to a lesser extent to revenue related to implementation and integration projects. Our fiscal 2011 revenue was also positively impacted by foreign exchange fluctuations.

License revenue in fiscal 2011 increased by \$18.2 million, or 18.1%, to \$119.2 million, from \$101.0 million in fiscal 2010. The increase in license revenue was primarily attributable to new implementation and integration projects.

License and service revenue attributable to the sale of customer experience systems increased by \$203.0 million, or 7.3%, to \$2,978.3 million in fiscal 2011, from \$2,775.3 million in fiscal 2010. The increase in revenue was primarily attributable to revenue related to existing and new managed services arrangements, and to a lesser extent to revenue related to implementation and integration projects. License and service revenue resulting from the sale of customer experience systems represented 93.7% and 93.0% of our total revenue in fiscal 2011 and 2010, respectively.

License and service revenue from the sale of directory systems decreased by \$9.5 million, or 4.6%, to \$199.4 million in fiscal 2011, from \$208.9 million in fiscal 2010. The decrease was primarily attributable to a decrease in revenue from existing customers. License and service revenue from the sale of directory systems represented 6.3% and 7.0% of our total revenue in fiscal 2011 and 2010, respectively.

In fiscal 2011, revenue from customers in North America, Europe and the rest of the world accounted for 73.4%, 12.7% and 13.9%, respectively, of total revenue, compared to 75.8%, 11.8% and 12.4%, respectively, for fiscal 2010. The increase in revenue as a percentage of total revenue from customers in Europe and the rest of the world, of which a significant portion was from emerging markets, was primarily attributable to revenue related to

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new implementation and integration projects as well as to new managed services arrangements. Revenue from North American customers, in absolute amounts, increased during fiscal 2011, primarily from existing and new implementation and integration projects and managed services arrangements. However, our revenue growth rate in Europe and the rest of the world was greater than the growth rate we experienced in North America which resulted in a decrease in revenue from customers in North America as a percentage of total revenue.

*Cost of License and Service.* Cost of license includes license fees and royalty payments to software suppliers. Cost of service consists primarily of costs associated with providing services to customers, including compensation expense and costs of third-party products. Cost of license and service increased by \$163.7 million, or 8.6%, to \$2,069.4 million in fiscal 2011, from \$1,905.7 million in fiscal 2010. As a percentage of revenue, cost of license and service increased to 65.1% in fiscal 2011 from 63.9% in fiscal 2010. The increase in our cost of license and services as a percentage of revenue was primarily attributable to several key customer implementations that required incremental spending as well as to investment in internal training and knowledge building programs for our employees. Our cost of license and service was also negatively impacted by foreign exchange fluctuations.

*Research and Development.* Research and development is primarily comprised of compensation expense. Research and development expense increased by \$14.1 million, or 6.8%, to \$221.9 million in fiscal 2011, from \$207.8 million in fiscal 2010. The increase in research and development expense is primarily attributable to investments in our next release of the Amdocs CES portfolio, as well as to foreign exchange impacts. Research and development expense as a percentage of revenue was 7.0% in fiscal years 2011 and 2010. Our research and development efforts are a key element of our strategy and are essential to our success, and we intend to maintain our commitment to research and development. An increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin. Please see Research and Development, Patents and Licenses.

*Selling, General and Administrative.* Selling, general and administrative expense increased by \$35.9 million, or 9.6%, to \$409.5 million in fiscal 2011, from \$373.6 million in fiscal 2010. Selling, general and administrative expense is primarily comprised of compensation expense. The increase in selling, general and administrative expense as a percentage of revenue was primarily attributable to increased selling efforts, a significant portion of which were in emerging markets and in Europe, as well as to an increase in accounts receivable allowances.

*Amortization of Purchased Intangible Assets and Other.* Amortization of purchased intangible assets and other decreased by \$14.1 million, or 16.2%, to \$72.6 million in fiscal 2011, from \$86.7 million in fiscal 2010. The decrease in amortization of purchased intangible assets and other was primarily due to purchased intangible assets that were fully amortized in prior periods, as well as to the timing of amortization charges resulting from the use of accelerated amortization methods for certain intangible assets purchased in prior periods, partially offset by amortization of intangible assets and other acquisition costs related to several small acquisitions in fiscal 2011 and 2010.

*Operating Income.* Operating income decreased by \$6.0 million, or 1.5%, to \$404.4 million in fiscal 2011, from \$410.4 million in fiscal 2010. Operating income decreased as a percentage of revenue, from 13.7% in fiscal 2010 to 12.7% in fiscal 2011. The decrease in operating income as a percentage of revenue was primarily attributable to the increase of cost of service and selling, general and administrative expense, which was higher than the increase in revenue, partially offset by the decrease in amortization of purchased intangible assets and other. The positive foreign exchange fluctuations on our revenue were offset by similar negative fluctuations on our operating expense resulting in an immaterial impact on our operating income.

*Interest and Other Expense, Net.* Interest and other expense, net decreased by \$16.4 million to \$8.7 million in fiscal 2011, from \$25.1 million in fiscal 2010. The decrease was primarily attributable to the effect of a loss in fiscal 2010 from divestiture of a Chinese subsidiary in which a majority interest was sold in April 2010, partially offset by foreign



exchange loss in fiscal 2011.

*Income Taxes.* Income taxes for fiscal 2011 were \$49.0 million on pre-tax income of \$395.7 million, resulting in an effective tax rate of 12.4%, compared to 10.7% in fiscal 2010. Our effective tax rate may fluctuate between quarters as a result of discrete items that may affect a specific quarter. Please see Note 11 to our consolidated financial statements.

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*Net Income.* Net income increased by \$2.8 million, or 0.8%, to \$346.7 million in fiscal 2011, from \$343.9 million in fiscal 2010. The increase in net income was attributable mainly to the decrease in interest and other expense, net, partially offset by a decrease in operating income and an increase in income tax expense.

*Diluted Earnings Per Share.* Diluted earnings per share increased by \$0.17, or 10.1%, to \$1.86 in fiscal 2011, from \$1.69 in fiscal 2010. The increase in diluted earnings per share resulted primarily from the decrease in diluted weighted average numbers of shares outstanding as a result of repurchase of our ordinary shares. Please see Note 20 to our consolidated financial statements.

***Fiscal Years Ended September 30, 2010 and 2009***

The following is a tabular presentation of our results of operations for the fiscal year ended September 30, 2010, compared to the fiscal year ended September 30, 2009. Following the table is a discussion and analysis of our business and results of operations for these years.

	<b>Year ended September 30,</b>		<b>Increase (Decrease)</b>	
	<b>2010</b>	<b>2009</b>	<b>Amount</b>	<b>%</b>
	<b>(In thousands)</b>			
Revenue:				
License	\$ 100,967	\$ 135,146	\$ (34,179)	(25.3)%
Service	2,883,256	2,727,461	155,795	5.7
	2,984,223	2,862,607	121,616	4.2
Operating expenses:				
Cost of license	2,021	2,686	(665)	(24.8)
Cost of service	1,903,645	1,831,947	71,698	3.9
Research and development	207,836	210,387	(2,551)	(1.2)
Selling, general and administrative	373,585	344,335	29,250	8.5
Amortization of purchased intangible assets and other	86,703	85,153	1,550	1.8
Restructuring charges and in-process research and development		20,780	(20,780)	(100.0)
	2,573,790	2,495,288	78,502	3.1
Operating income	410,433	367,319	43,114	11.7
Interest and other expense, net	25,135	1,165	23,970	2,057.5
Income before income taxes	385,298	366,154	19,144	5.2
Income taxes	41,392	39,978	1,414	3.5
Net income	\$ 343,906	\$ 326,176	\$ 17,730	5.4%

*Revenue.* Total revenue increased by \$121.6 million, or 4.2%, to \$2,984.2 million in fiscal 2010, from \$2,862.6 million in fiscal 2009. The increase in revenue was primarily attributable to revenue related to managed

services arrangements and to foreign exchange impacts. The increase was partially offset by decreases in revenue related to implementation and integration projects. In the second half of fiscal 2009, AT&T reduced its discretionary spending with us. The lower resulting revenue level persisted into 2010, offset in part by an increase in our managed services for AT&T; however, revenue from AT&T on a quarterly basis in 2010 was relatively stable.

License revenue in fiscal 2010 decreased by \$34.2 million, or 25.3%, to \$101.0 million, from \$135.1 million in fiscal 2009. License revenue declined primarily due to the completion of some implementation and integration projects and the impact of fewer project signings in 2009.

License and service revenue attributable to the sale of customer experience systems increased by \$89.8 million, or 3.3%, to \$2,775.3 million in fiscal 2010, from \$2,685.5 million in fiscal 2009. License and service revenue

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resulting from the sale of customer experience systems represented 93.0% and 93.8% of our total revenue in fiscal 2010 and 2009, respectively.

License and service revenue from the sale of directory systems increased by \$31.8 million, or 18.0%, to \$208.9 million in fiscal 2010, from \$177.1 million in fiscal 2009. The increase was primarily attributable to the completion of major project milestones. License and service revenue from the sale of directory systems represented 7.0% and 6.2% of our total revenue in fiscal 2010 and 2009, respectively.

In fiscal 2010, revenue from customers in North America, Europe and the rest of the world accounted for 75.8%, 11.8% and 12.4%, respectively, of total revenue, compared to 75.3%, 13.8% and 10.9%, respectively, for fiscal 2009. The increase as a percentage of revenue from customers in North America was primarily attributable to an increase in revenue from other than our top three customers, mainly related to managed services arrangements. The decrease in revenue from customers in Europe was primarily attributable to a decline in implementation and integration projects related revenue. Revenue from customers in the rest of the world increased primarily due to revenue contributed by customers in emerging markets as well as completion of major project milestones.

*Cost of License and Service.* Cost of license includes license fees and royalty payments to software suppliers. Cost of service consists primarily of costs associated with providing services to customers, including compensation expense and costs of third-party products. Cost of license and service increased by \$71.0 million, or 3.9%, to \$1,905.7 million in fiscal 2010, from \$1,834.6 million in fiscal 2009. As a percentage of revenue, cost of license and service decreased to 63.9% in fiscal 2010 from 64.1% in fiscal 2009. The increase in our cost of license and service was primarily attributable to increase in our headcount to support the growth in the size of our operations, partially offset by costs savings resulting primarily from expansion into lower cost jurisdictions. Our cost of service, as a percentage of revenue, in fiscal 2010 was positively affected by higher margins from existing managed services arrangements. Margins from existing managed services tend to improve over time, especially in the initial period of an engagement, as we create cost efficiencies and improve business processes.

*Research and Development.* Research and development is primarily comprised of compensation expense. Research and development expense decreased by \$2.6 million, or 1.2%, to \$207.8 million in fiscal 2010, from \$210.4 million in fiscal 2009. Research and development expense decreased as a percentage of revenue from 7.3% in fiscal, 2009 to 7.0% in fiscal 2010. Our research and development efforts are a key element of our strategy and are essential to our success, and we intend to maintain our commitment to research and development. An increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin. Please see Research and Development, Patents and Licenses.

*Selling, General and Administrative.* Selling, general and administrative expense increased by \$29.3 million, or 8.5%, to \$373.6 million in fiscal 2010, from \$344.3 million in fiscal 2009. Selling, general and administrative expense is primarily comprised of compensation expense. The increase in selling, general and administrative expense in fiscal 2010 was primarily attributable to selling efforts, a significant portion of which were in emerging markets.

*Restructuring Charges and In-Process Research and Development.* In fiscal 2009, we recorded restructuring charges and in-process research and development expenses of \$20.8 million, which consisted of a \$15.1 million restructuring charge related primarily to our restructuring plan in the first quarter of fiscal 2009 and a \$5.7 million charge for the write-off of purchased in-process research and development related to a small acquisition during the first quarter of fiscal 2009. We did not take any such restructuring charges in fiscal 2010. Effective October 1, 2009, we adopted revised accounting guidance for business combinations and as a result capitalized immaterial in-process research and development.

*Operating Income.* Operating income increased by \$43.1 million, or 11.7%, to \$410.4 million in fiscal 2010, from \$367.3 million in fiscal 2009. Operating income increased as a percentage of revenue, from 12.8% in fiscal 2009 to 13.7% in fiscal 2010. The increase in operating income as a percentage of revenue was primarily attributable to our continued efforts to improve efficiencies including expansion into lower cost jurisdictions, the effect of our fiscal 2009 restructuring charges and in-process research and development charges, and foreign exchange impacts, partially offset by the increase in selling expense in fiscal 2010.

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*Interest and Other Expense, Net.* Interest and other expense, net increased by \$24.0 million to \$25.1 million in fiscal 2010, from \$1.2 million in fiscal 2009. The increase in interest and other expense, net, was primarily attributable to a \$23.4 million loss from our April 2010 divestiture of a majority interest in a Chinese subsidiary. We retain a minority interest in this Chinese company. Please see Note 16 to our consolidated financial statements.

*Income Taxes.* Income taxes for fiscal 2010 were \$41.4 million on pre-tax income of \$385.3 million, resulting in an effective tax rate of 10.7%, compared to 10.9% in fiscal 2009. Our effective tax rate may fluctuate between quarters as a result of discrete items that may affect a specific quarter. Please see Note 11 to our consolidated financial statements.

*Net Income.* Net income increased by \$17.7 million, or 5.4%, to \$343.9 million in fiscal 2010, from \$326.2 million in fiscal 2009. The increase in net income was attributable mainly to the increase in operating income, partially offset by the increase in interest and other expense, net.

*Diluted Earnings Per Share.* Diluted earnings per share increased by \$0.12, or 7.6%, to \$1.69 in fiscal 2010, from \$1.57 in fiscal 2009. The increase in diluted earnings per share resulted primarily from the increase in net income, as well as the decrease in diluted weighted average shares outstanding resulting primarily from our repurchase of ordinary shares in fiscal 2010. Please see Note 20 to our consolidated financial statements.

## **Liquidity and Capital Resources**

Cash, cash equivalents and short-term interest-bearing investments, net of short-term debt, totaled \$0.92 billion as of September 30, 2011, compared to \$1.23 billion as of September 30, 2010. The decrease during fiscal 2011 was mainly attributable to \$624.2 million used to repurchase our ordinary shares pursuant to our share repurchase programs, \$146.7 million in net cash paid for an acquisition and \$109.8 million for capital expenditures, net, partially offset by \$535.5 million in cash flow from operations. Net cash provided by operating activities amounted to \$535.5 million and \$685.2 million for fiscal 2011 and 2010, respectively.

Our policy is to retain sufficient cash balances in order to support our growth. We believe that our current cash balances, cash generated from operations and our current lines of credit will provide sufficient resources to meet our operational needs for at least the next fiscal year.

Our interest-bearing investments are classified as available-for-sale securities. Such short-term interest-bearing investments consist primarily of money market funds, U.S. government treasuries, corporate bonds, government guaranteed debt and U.S. agency securities. We believe we have conservative investment policy guidelines. Our interest-bearing investments are stated at fair value with the unrealized gains or losses reported as a separate component of accumulated other comprehensive (loss) income, net of tax. Our interest-bearing investments are priced by pricing vendors and are classified as Level 1 or Level 2 investments, since these vendors either provide a quoted market price in an active market or use observable inputs. Please see Notes 4 and 5 to our consolidated financial statements. During fiscal 2011 and 2010, we recognized immaterial credit losses. As of September 30, 2011, unrealized losses of \$0.7 million related to other-than-temporarily impaired securities was included in accumulated other comprehensive (loss) income.

In November 2007, we entered into an unsecured \$500.0 million five-year revolving credit facility with a syndicate of banks, which is available for general corporate purposes, including acquisitions and repurchases of ordinary shares that we may consider from time to time. The interest rate for borrowings under the revolving credit facility is chosen at our option from several pre-defined alternatives, depends on the circumstances of any advance and is based on our credit rating. As of September 30, 2011, we were in compliance with the financial covenants under the revolving credit facility. In September 2010, we borrowed an aggregate of \$200.0 million under the facility and repaid it in

October 2010. In September 2011, we borrowed an aggregate of \$250.0 million under the facility and repaid it in October 2011.

As of September 30, 2011, we had outstanding letters of credit and bank guarantees from various banks totaling \$41.2 million. As of September 30, 2011, we had outstanding obligations of \$1.1 million in connection with leasing arrangements.

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Our capital expenditures, net, were approximately \$109.8 million in fiscal 2011. Approximately 90% of these expenditures consisted of purchases of computer equipment, with the remainder attributable mainly to leasehold improvements. Our fiscal 2011 capital expenditures were mainly attributable to investments in our operating facilities and our development centers around the world. Our policy is to fund our capital expenditures principally from operating cash flows, and we do not anticipate any changes to this policy in the foreseeable future.

In April 2010, our board of directors authorized a share repurchase plan allowing the repurchase of up to \$700.0 million of our outstanding ordinary shares over the following 12 months. In February 2011, our board of directors adopted a share repurchase plan authorizing the repurchase of up to \$1.0 billion of our outstanding ordinary shares over the following 24 months. The authorizations permit us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices we consider appropriate. In April 2011 we completed the repurchase of the remaining authorized amount under the April 2010 share repurchase plan and started executing repurchases under the February 2011 plan. In fiscal 2011, we repurchased 21.9 million ordinary shares at an average price of \$28.53 per share (excluding broker and transaction fees). As of September 30, 2011, we had remaining authority to repurchase up to \$687.1 million of our outstanding ordinary shares.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

**Contractual Obligations**

The following table summarizes our contractual obligations as of September 30, 2011, and the effect such obligations are expected to have on our liquidity and cash flows in future periods (in millions):

Contractual Obligations	Total	Payments Due by Period			
		Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Convertible notes including interest	\$ 1.1	\$	\$	\$	\$ 1.1
Pension funding	15.5	1.9	5.6	3.4	4.6
Purchase obligations	43.3	28.6	14.7		
Non-cancelable operating leases	250.8	61.1	112.4	77.3	
Total	\$ 310.7	\$ 91.6	\$ 132.7	\$ 80.7	\$ 5.7

The total amount of unrecognized tax benefits for uncertain tax positions was \$132.9 million as of September 30, 2011. Payment of these obligations would result from settlements with taxing authorities. Due to the difficulty in determining the timing of resolution of audits, these obligations are not included in the above table.

**Deferred Tax Asset Valuation Allowance**

As of September 30, 2011, we had deferred tax assets of \$137.8 million, derived primarily from net capital and operating loss carryforwards related to some of our subsidiaries, which were offset by valuation allowances due to the uncertainty of the realizing any tax benefit for such losses. When realization of the tax benefits associated with such net capital and operating losses is deemed more likely than not, the valuation allowance will be released through



earnings.

### **Critical Accounting Policies**

Our discussion and analysis of our consolidated financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent liabilities. On a regular basis, we evaluate and may revise our estimates. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not

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readily apparent. Actual results could differ materially from the estimates under different assumptions or conditions.

We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. These policies require that we make estimates in the preparation of our financial statements as of a given date. Our critical accounting policies are as follows:

Revenue recognition and contract accounting

Tax accounting

Business combinations

Share-based compensation expense

Goodwill, intangible assets and long-lived assets-impairment assessment

Derivative and hedge accounting

Fair value measurement of short-term interest-bearing investments

Accounts receivable reserves

Below, we discuss these policies further, as well as the estimates and judgments involved. We also have other key accounting policies. We believe that, compared to the critical accounting policies listed above, the other policies either do not generally require us to make estimates and judgments that are as difficult or as subjective, or it is less likely that they would have a material impact on our reported consolidated results of operations for a given period.

***Revenue Recognition and Contract Accounting***

We derive our revenue principally from:

the initial sales of licenses to use our products and related services, including modification, implementation, integration and customization services,

providing managed services in our domain expertise and other related services, and

recurring revenue from ongoing support, maintenance and enhancements provided to our customers, and from incremental license fees resulting from increases in a customer's business volume.

Revenue is recognized only when all of the following conditions have been met: (i) there is persuasive evidence of an arrangement; (ii) delivery has occurred; (iii) the fee is fixed or determinable; and (iv) collectibility of the fee is reasonably assured. We usually sell our software licenses as part of an overall solution offered to a customer that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. Those services are deemed essential to the software. As a result, we generally recognize initial license fee and related service revenue over the course of these long-term projects, using the percentage of completion method of accounting. Subsequent license fee revenue is recognized upon completion of specified conditions in each contract, based on a customer's subscriber or transaction volume or other measurements when greater than the level specified in the contract for the initial license fee. Revenue from software

solutions that do not require significant customization, implementation and modification is recognized upon delivery. Revenue from services that do not involve significant ongoing obligations is recognized as services are rendered. In managed services contracts, we typically recognize revenue from the operation of a customer's system as services are performed based on time elapsed, output produced or volume of data processed, depending on the specific contract terms of the managed services arrangement. Typically, managed services contracts are long-term in duration and are not subject to seasonality. Revenue from ongoing support services is recognized as work is performed. Revenue from third-party hardware sales is recognized upon delivery and installation and revenue from third-party software sales is recognized upon delivery. Maintenance revenue is recognized ratably over the term of the maintenance agreement.

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A significant portion of our revenue is recognized over the course of long-term implementation and integration projects under the percentage of completion method of accounting. When total cost estimates exceed revenues in a fixed-price arrangement, the estimated losses are recognized immediately based upon the cost applicable to the project. The percentage of completion method requires the exercise of judgment on a quarterly basis, such as with respect to estimations of progress-to-completion, contract revenue, loss contracts and contract costs. Progress in completing such projects may significantly affect our annual and quarterly operating results.

We follow very specific and detailed guidelines, several of which are discussed above, in measuring revenue; however, certain judgments affect the application of our revenue recognition policy.

Our revenue recognition policy takes into consideration the credit-worthiness and past transaction history of each customer in determining the probability of collection as a criterion of revenue recognition. This determination requires the exercise of judgment, which affects our revenue recognition. If we determine that collection of a fee is not reasonably assured, we defer the revenue recognition until the time collection becomes reasonably assured, which is generally upon receipt of cash. We regularly review the allowance for doubtful accounts by considering factors that may affect a customer's ability to pay, such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions.

For arrangements with multiple deliverables within the scope of software revenue recognition guidance, we allocate revenue to each component based upon its relative fair value, which is determined in reliance on the Vendor Specific Objective Evidence ( VSOE ) of fair value for that element. Such determination is judgmental and for most contracts is based on normal pricing and discounting practices for those elements when sold separately in similar arrangements. In the absence of fair value for a delivered element, we use the residual method. The residual method requires that we first allocate revenue to the fair value of the undelivered elements and residual revenue to the delivered elements. If VSOE of any undelivered items does not exist, revenue from the entire arrangement is deferred and recognized at the earlier of (i) delivery of those elements for which VSOE does not exist or (ii) when VSOE can be established. However, in limited cases where maintenance is the only undelivered element without VSOE, the entire arrangement fee is recognized ratably. The residual method is used mainly in multiple element arrangements that include license for the sale of software solutions that do not require significant customization, modification and implementation and maintenance to determine the appropriate value for the license component. Beginning October 1, 2009, we adopted the new authoritative guidance for revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under this guidance, we allocate revenue to each element based upon the relative fair value. Fair value would be allocated by using a hierarchy of (1) VSOE, (2) third-party evidence of selling price for that element, or (3) estimated selling price, or ESP, for individual elements of an arrangement when VSOE or third-party evidence of selling price is unavailable. This results in the elimination of the residual method of allocating revenue consideration. We determine ESP for the purposes of allocating the consideration to individual elements of an arrangement by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, geographies in which we offer our services and internal costs. The determination of ESP is judgmental and is made through consultation with and approval by management.

Revenue from third-party hardware and software sales is recorded at a gross or net amount according to certain indicators. The application of these indicators for gross and net reporting of revenue depends on the relative facts and circumstances of each sale and requires significant judgment.

## ***Tax Accounting***

As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax expense in each of the jurisdictions in which we operate. 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 reimbursement arrangements among related entities, the process of identifying items of revenue and expenses that qualify for preferential tax treatment and segregation of foreign and domestic income and expense to avoid double taxation. We also assess temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting differences. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We

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may 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.

Although we believe that our estimates are reasonable and that we have considered future taxable income and ongoing prudent and feasible tax strategies in estimating our tax outcome and in assessing the need for the valuation allowance, there is no assurance that the final tax outcome and the valuation allowance will not be different than those that are reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision, net income and cash balances in the period in which such determination is made.

We recognize the tax benefit from an uncertain tax position only if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest.

We have filed or are in the process of filing tax returns that are subject to audit by the respective tax authorities. Although the ultimate outcome is unknown, we believe that any adjustments that may result from tax return audits are not likely to have a material, adverse effect on our consolidated results of operations, financial condition or cash flows.

## ***Business Combinations***

In accordance with business combination accounting, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed, as well as to in-process research and development based on their estimated fair values. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

Although we believe the assumptions and estimates of fair value we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain assets acquired and liabilities assumed include, but are not limited to: future expected cash flows from license and service sales, maintenance, customer contracts and acquired developed technologies, expected costs to develop the in-process research and development into commercially viable products and estimated cash flows from the projects when completed and the acquired company's brand awareness and discount rate. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

As discussed above under Tax Accounting, we may establish a valuation allowance for certain deferred tax assets and estimate the value of uncertain tax positions of a newly acquired entity. This process requires significant judgment and analysis.

## ***Share-Based Compensation Expense***

Share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the requisite service periods. We estimate the fair value of employee stock options using a Black-Scholes valuation model and value restricted stock based on the market value of the underlying shares at the date of grant. We recognize compensation costs using the graded vesting attribution method that results in an accelerated recognition of compensation costs in comparison to the straight line method.

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The fair value of an award is affected by our stock price on the date of grant and other assumptions, including the estimated volatility of our stock price over the term of the awards and the estimated period of time that we expect employees to hold their stock options. We use a combination of implied volatility of our traded options and historical stock price volatility ( blended volatility ) as the expected volatility assumption required in the Black-Scholes option valuation model. Share-based compensation expense recognized in our consolidated statements of income was reduced for estimated forfeitures.

Determining the fair value of share-based awards at the grant date requires the exercise of judgment. In addition, the exercise of judgment is also required in estimating the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, share-based compensation expense and our results of operations could be materially affected. Please see Note 19 to our consolidated financial statements.

### ***Goodwill, Intangible Assets and Long-Lived Assets - Impairment Assessment***

Goodwill is measured as the excess of the cost of acquisition over the sum of the amounts assigned to tangible and identifiable intangible assets acquired less liabilities assumed. Goodwill is subject to periodic impairment tests. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The goodwill impairment test involves a two-step process. The first step, identifying a potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Any excess of the reporting unit goodwill carrying value over the respective implied fair value is recognized as an impairment loss.

We perform an annual goodwill impairment test during the fourth quarter of each fiscal year, or more frequently if impairment indicators are present. We operate in one operating segment, and this segment comprises our only reporting unit. In calculating the fair value of the reporting unit, we used our market capitalization and a discounted cash flow methodology. There was no impairment of goodwill in fiscal 2011, 2010 and 2009.

We test long-lived assets, including definite life intangible assets, for impairment in the event an indication of impairment exists. Impairment indicators include any significant changes in the manner of our use of the assets or the strategy of our overall business, significant negative industry or economic trends and significant decline in our share price for a sustained period.

If the sum of expected future cash flows (undiscounted and without interest charges) of the long-lived assets is less than the carrying amount of such assets, an impairment would be recognized and the assets would be written down to their estimated fair values, based on expected future discounted cash flows. There was no impairment of long-lived assets in fiscal 2011, 2010 and 2009.

### ***Derivative and Hedge Accounting***

Approximately 70% to 80% of our revenue and 50% to 60% of our operating expenses are denominated in U.S. dollars or linked to the U.S. dollar. We enter into foreign exchange forward contracts and options to hedge a significant portion of our foreign currency net exposure resulting from revenue and expense in major foreign currencies in which we operate, in order to reduce the impact of foreign currency on our results. We also enter into foreign exchange forward contracts and options to reduce the impact of foreign currency on balance sheet items. The effective portion of changes in the fair value of forward exchange contracts and options that are classified as cash flow hedges are recorded in other comprehensive (loss) income. We estimate the fair value of such derivative contracts by reference to forward and spot rates quoted in active markets.



Establishing and accounting for foreign exchange contracts involve judgments, such as determining the fair value of the contracts, determining the nature of the exposure, assessing its amount and timing, and evaluating the effectiveness of the hedging arrangement.

Although we believe that our estimates are accurate and meet the requirement of hedge accounting, if actual results differ from these estimates, such difference could cause fluctuation of our recorded revenue and expenses.

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***Fair Value Measurement of Short-Term Interest-Bearing Investments***

Our short-term interest-bearing investments are classified as available-for-sale securities and are stated at fair value in our consolidated balance sheets. Unrealized gains or losses are reported as a separate component of accumulated other comprehensive (loss) income, net of tax. Such short-term interest-bearing investments consist primarily of money market funds, U.S. government treasuries, corporate bonds, government guaranteed debt and U.S. agency securities. We believe we have conservative investment policy guidelines. Our interest-bearing investments are priced by pricing vendors and are classified as Level 1 or Level 2 investments, since these vendors either provide a quoted market price in an active market or use observable inputs such as quoted market prices for similar instruments, market dealer quotes, market spreads, non-binding market prices that are corroborated by observable market data and other observable market information and discounted cash flow techniques using observable market inputs. Effective at the beginning of the third quarter of fiscal 2009, we were required to evaluate our available-for-sale securities for other-than-temporary impairments subject to updated accounting guidance. Pursuant to this accounting guidance, for securities with unrealized losses that we intend to sell or it is more likely than not that we will be required to sell the securities before recovery, the entire difference between amortized cost and fair value is recognized in earnings. For securities that we do not intend to sell and it is not more likely than not that we will be required to sell, we used a discounted cash flow analysis to determine the portion of the impairment that relates to credit losses. To the extent that the net present value of the projected cash flows was less than the amortized cost of the security, the difference is considered credit loss and is recorded through earnings. The inputs on the future performance of the underlying assets used in the cash flow models include prepayments, defaults and loss severity assumptions. Prior to April 2009, we reviewed various factors in determining whether we should recognize an impairment charge for our short-term interest-bearing investments, including our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value, the length of time and extent to which the fair value has been less than our cost basis, the credit ratings of the securities and the financial condition and near-term prospects of the issuers. The other-than-temporary impairment on our short-term interest-bearing investments was immaterial during fiscal 2011, 2010 and 2009.

Given the relative reliability of the inputs we use to value our investment portfolio, and because substantially all of our valuation inputs are obtained using quoted market price in an active market or observable inputs, we do not believe that the nature of estimates and assumptions affected by levels of subjectivity and judgment was material to the valuation of the investment portfolio as of September 30, 2011.

It is possible that the valuation of the securities will further fluctuate, and as market conditions change, we may determine that unrealized losses, which are currently considered temporary in nature, may become other than temporary resulting in additional impairment charges.

***Accounts Receivable Reserves***

The allowance for doubtful accounts is for estimated losses resulting from accounts receivable for which their collection is not reasonably assured. We evaluate accounts receivable to determine if they will ultimately be collected. Significant judgments and estimates are involved in performing this evaluation, which we base on factors that may affect a customer's ability and intent to pay, such as past experience, credit quality of the customer, age of the receivable balance and current economic conditions. If collection is not reasonably assured at the time the transaction is consummated, we do not recognize revenue until collection becomes reasonably assured. If we estimate that our customers' ability and intent to make payments have been impaired, additional allowances may be required. The allowance for doubtful accounts is established either through a charge to selling, general and administrative expenses or as a reduction to revenue.

Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

**Recent Accounting Pronouncements**

In September 2011, the Financial Accounting Standards Board, or FASB, issued a revised accounting standard update intended to simplify how an entity tests goodwill for impairment. The amendment will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill

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impairment test. An entity no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. This accounting standard update will be effective for us beginning October 1, 2012 and early adoption is permitted. We do not expect that the adoption of this new guidance will have a material impact on our financial statements.

In June 2011, the FASB issued guidance to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance eliminates the option to present the components of other comprehensive income as part of the statement of equity, and will become effective for us beginning October 1, 2012. We are still evaluating whether to present other comprehensive income in a single continuous statement of comprehensive income or in two separate but consecutive statements.

In May 2011, the FASB issued guidance to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. The guidance changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements, and will become effective for us beginning January 1, 2012. We do not expect that the adoption of this new guidance will have a material impact on our financial statements.

**Adoption of New Accounting Standards**

In June 2009, the FASB issued authoritative guidance on the consolidation of variable interest entities, which was effective for us beginning October 1, 2010. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities, and additional disclosures for variable interests. The adoption of this new guidance did not have a material impact on our financial statements.

**ITEM 6. *DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES***

**Directors and Senior Management**

We rely on the executive officers of our principal operating subsidiaries to manage our business. In addition, Amdocs Management Limited, our management subsidiary, performs certain executive coordination functions for all of our operating subsidiaries. In November 2010, Dov Baharav, who had been our President and Chief Executive Officer and a director since 2002, retired from these offices, and Eli Gelman, who was our Executive Vice President from 2002 to 2008, our Chief Operating Officer from 2006 to 2008 and a director since 2002, became our President and Chief Executive Officer. In addition, James Liang, our Senior Vice President and Chief Strategy Officer, resigned effective January 31, 2011, Charles E. Foster and Richard Sarnoff each resigned from our board of directors, effective April 28, 2011 and Bruce K. Anderson resigned as Chairman of the Board, effective October 1, 2011, although Mr. Anderson continues as a director. Robert A. Minicucci, who has been a director since 1997, has

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succeeded Mr. Anderson as Chairman of the Board. As of November 30, 2011, our directors and senior managers were as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Robert A. Minicucci(3)(4)	59	Chairman of the Board, Amdocs Limited
Bruce K. Anderson(2)(4)(5)	71	Director and Chairman of the Executive Committee, Amdocs Limited
Adrian Gardner(1)(3)	49	Director and Chairman of the Audit Committee, Amdocs Limited
John T. McLennan(1)(2)	66	Director and Chairman of the Compensation Committee, Amdocs Limited
Simon Olswang(1)(3)	67	Director and Chairman of the Nominating and Corporate Governance Committee, Amdocs Limited
Zohar Zisapel(3)(5)	62	Director and Chairman of the Technology and Innovation Committee, Amdocs Limited
Julian A. Brodsky(2)(3)	78	Director, Amdocs Limited
James S. Kahan(4)	64	Director, Amdocs Limited
Richard T.C. LeFave	59	Director, Amdocs Limited
Nehemia Lemelbaum(4)(5)	69	Director, Amdocs Limited
Giora Yaron(5)	62	Director, Amdocs Limited
Eli Gelman(4)(5)	53	Director, Amdocs Limited; President and Chief Executive Officer, Amdocs Management Limited
Tamar Rapaport-Dagim	40	Senior Vice President and Chief Financial Officer, Amdocs Management Limited
Ayal Shiran	46	Senior Vice President and Head of Customer Business Group, Amdocs Management Limited
Brian Shepherd	44	Senior Vice President and Head of Broadband Cable and Satellite Group, Diversification and Global Marketing Amdocs, Inc.
Anshoo Gaur	43	Division President, Amdocs Development Center India Pvt. Ltd.
Thomas G. O'Brien	50	Treasurer and Secretary, Amdocs Limited

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Nominating and Corporate Governance Committee
- (4) Member of the Executive Committee
- (5) Member of the Technology and Innovation Committee

Robert A. Minicucci has been Chairman of the Board of Directors of Amdocs since October 2011 and a director since September 1997. He has been a general partner of Welsh, Carson, Anderson & Stowe, or WCAS, an investment firm that specializes in the acquisition of companies in the information and business services and health care industries,

since 1993. Until September 2003, investment partnerships affiliated with WCAS had been among our largest shareholders. From 1992 to 1993, Mr. Minicucci served as Senior Vice President and Chief Financial Officer of First Data Corporation, a provider of information processing and related services for credit card and other payment transactions. From 1991 to 1992, he served as Senior Vice President and Treasurer of the American Express Company. He served for 12 years with Lehman Brothers (and its predecessors) until his resignation as a Managing Director in 1991. Mr. Minicucci is also a director of two other publicly-held companies: Alliance Data Systems, Inc. and Retailix Ltd., and several private companies. Mr. Minicucci's career in information technology investing, including as a director of more than twenty different public and private companies, and his experience as chief financial officer to a public company and treasurer of another public company, have provided him with strong business acumen and strategic and financial expertise.

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Bruce K. Anderson has been a director since September 1997 and is Chairman of the Executive Committee. Mr. Anderson was Chairman of the Board of Directors of Amdocs from September 1997 to September 2011. Since August 1978, Mr. Anderson has been a general partner of WCAS. Mr. Anderson served for nine years with Automated Data Processing, Inc. ( ADP ) until his resignation as Executive Vice President and a director of ADP, and President of ADP International, effective August 1978. Mr. Anderson serves on the board of Alliance Data Systems, Inc., a publicly-held company that provides transaction, credit and marketing services to large consumer based businesses. Mr. Anderson's career in information technology investing and service, and his experience as a director of many public and private companies, have given him sharp business acumen, financial expertise and extensive experience providing strategic and financial advisory services to complex organizations.

Adrian Gardner has been a director of Amdocs since April 1998 and is Chairman of the Audit Committee. Since October 2011, Mr. Gardner has been Chief Financial Officer and a director of RSM Tenon Group PLC, a London-based accounting and advisory firm listed on the London Stock Exchange. From March 2011 to October 2011, Mr. Gardner was a private investor. Mr. Gardner was Chief Financial Officer of PA Consulting Group, a London-based business consulting firm from November 2007 to March 2011. From April until November 2007, Mr. Gardner was a private investor. Mr. Gardner was Chief Financial Officer of ProStrakan Group plc, a pharmaceuticals company based in the United Kingdom and listed on the London Stock Exchange, from 2002 until April 2007 and a director from April 2002 until June 2007. Prior to joining ProStrakan, he was a Managing Director of Lazard LLC, based in London, where he worked with technology and telecommunications-related companies. Prior to joining Lazard in 1989, Mr. Gardner qualified as a chartered accountant with Price Waterhouse (now PricewaterhouseCoopers). Mr. Gardner is a member of the Institute of Chartered Accountants in England & Wales. Mr. Gardner's extensive experience as an accountant, technology investment banker and chief financial officer enables him to make valuable contributions to our strategic and financial affairs.

John T. McLennan has been a director of Amdocs since November 1999 and is Chairman of the Compensation Committee. From May 2000 until June 2004, he served as Vice-Chair and Chief Executive Officer of Allstream (formerly AT&T Canada). Mr. McLennan founded and was the President of Jenmark Consulting Inc. from 1997 until May 2000. From 1993 to 1997, Mr. McLennan served as the President and Chief Executive Officer of Bell Canada. Prior to that, he held various positions at several telecommunications companies, including BCE Mobile Communications and Cantel Inc. Mr. McLennan is also a director of Air Canada Jazz, a publicly-held regional airline company, Chairman of Emera Inc., a Canadian publicly-held energy services company, and director of Nova Scotia Power Inc., a wholly-owned subsidiary of Emera Inc. From 2005 to 2008, Mr. McLennan also served as a director of Medisys Inc., a healthcare management company. We believe Mr. McLennan's qualifications to sit on our board of directors include his years of experience in the telecommunications industry, including as chief executive officer of a leading Canadian telecommunications provider, and his experience providing strategic advice to complex organizations across a variety of industries, including as a public company director.

Simon Olswang has been a director of Amdocs since November 2004 and is Chairman of the Nominating and Corporate Governance Committee. In 2002, Mr. Olswang retired as Chairman of Olswang, a media and communications law firm in the United Kingdom that he founded in 1981. He is a member of the Advisory Board of Palamon Capital Partners LLP and of the Board of Directors of Amiad Filtration Systems Limited, an Israeli company listed on the London AIM market, which is active in the clean water industry. Mr. Olswang was a member of the Board of Directors of The British Library until March 2008 and has served as a non-executive director of a number of companies and organizations, including Aegis Group plc, The Press Association and the British Film Institute. Mr. Olswang previously served as Trustee of Langdon College of Further (Special) Education in Salford, of which he is a co-founder. We believe Mr. Olswang's qualifications to sit on our board of directors include his extensive experience providing strategic and legal advisory services to complex organizations, as well as startups, in the media and communications industry.

Zohar Zisapel has been a director of Amdocs since July 2008 and is the Chairman of the Technology and Innovation Committee. Mr. Zisapel co-founded RAD Data Communications Ltd. and has been its chairman since 1982, a privately-held voice and data communications company and part of the RAD Group, a family of independent networking and telecommunications companies. Mr. Zisapel also serves as chairman of Ceragon Networks Ltd., RADVision Ltd. and RADCOM Ltd., each of which is a publicly-traded member of the RAD Group, as a director of Silicom Ltd., a public company, as well as on the boards of directors of several privately-held



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companies. Mr. Zisapel previously served as chairman of the Israel Association of Electronic Industries from 1998 until 2001. Mr. Zisapel's experience as founder, chairman and director of several public and private high technology companies, and his leadership in several government organizations, demonstrate his leadership capability and provide him with valuable insights into the voice and data communications industries.

Julian A. Brodsky has been a director of Amdocs since July 2003. Mr. Brodsky served as a director and as Vice Chairman of Comcast Corporation from 1989 to 2011. From 1989 to May 2004, Mr. Brodsky was Chairman of Comcast Interactive Capital, LP, a venture fund affiliated with Comcast. He is a director of RBB Fund, Inc. Mr. Brodsky brings to our board of directors deep and extensive knowledge of the cable industry gained through his longstanding executive leadership roles at Comcast, as well as financial expertise in capital markets, accounting and tax matters gained through his experience as Chief Financial Officer of Comcast and as a practicing CPA.

James S. Kahan has been a director of Amdocs since April 1998 and is a member of the Executive Committee. From 1983 until his June 2007 retirement, he worked at SBC, which is now AT&T, and served as a Senior Executive Vice President from 1992 until June 2007. AT&T is our most significant customer. Prior to joining AT&T, Mr. Kahan held various positions at several telecommunications companies, including Western Electric, Bell Laboratories, South Central Bell and AT&T Corp. Mr. Kahan also serves on the Board of Directors of Live Nation Entertainment, Inc., the world's largest live music and ticketing entity, and Frontier Communication Corporation, the largest U.S. provider of rural communication services. Mr. Kahan's long service at SBC and AT&T, as well as his management and financial experience at several public and private companies, have provided him with extensive knowledge of the telecommunications industry, particularly with respect to corporate development, mergers and acquisitions and business integration.

Richard T.C. LeFave has been a director of Amdocs since November 2011. Since May 2008, Mr. LeFave has been a Principal at D&L Partners, LLC, an information technology consulting firm. Mr. LeFave served as Chief Information Officer for Nextel Communications, a telecommunications company, from 1999 until its merger with Sprint Corporation in September 2005, after which he served as Chief Information Officer for Sprint Nextel Corporation until May 2008. From 1995 to 1999, Mr. LeFave served as Chief Information Officer for Southern New England Telephone Company, a provider of communications products and services. We believe Mr. LeFave's qualifications to sit on our board include his extensive experience and leadership in the information technology and telecommunications industry.

Nehemia Lemelbaum has been a director of Amdocs since December 2001 and was a Senior Vice President of Amdocs Management Limited from 1985 until January 2005. Since 2005, Mr. Lemelbaum has been a private investor and since November 2009, he has been a director of Retalix, a publicly-held global software company. Since December 2006, Mr. Lemelbaum has also been a director and the Chief Executive Officer of EHYN, a privately-held investment company. He joined Amdocs in 1985, with initial responsibility for U.S. operations. Mr. Lemelbaum led our development of graphic products for the Yellow Pages industry and later led our development of customer care and billing systems, as well as our penetration into that market. Prior to joining Amdocs, he served for nine years with Contahal Ltd., a leading Israeli software company, first as a senior consultant, and later as Chief Executive Officer. From 1967 to 1976, Mr. Lemelbaum was employed by the Ministry of Communications of Israel (the organization that predated Bezeq, the Israel Telecommunication Corp. Ltd.), with responsibility for computer technology in the area of business data processing. With more than two decades in our leadership ranks, including representing us with analysts and investors for five years during and after our initial public offering, Mr. Lemelbaum has extensive communication software industry experience, and deep institutional knowledge and understanding of our business and strategy.

Dr. Giora Yaron has been a director of Amdocs since July 2009. Dr. Yaron co-founded Itamar Medical Ltd., a publicly-traded medical technology company, and has been its co-chairman since 1997. Dr. Yaron provides consulting

services to Itamar Medical and to various other technology companies. He co-founded P-cube, Pentacom, Qumranet, Exanet and Comsys, privately-held companies sold to multinational corporations. In 2009, Dr. Yaron also co-founded Qwilt, Inc., a privately-held video technology company and serves as one of its directors. Since 2010, Dr. Yaron has been the chairman of The Executive Council of Tel Aviv University, an institution of higher education. Dr. Yaron also has served on the advisory board of Rafael Advanced Defense Systems, Ltd., a developer of high-tech defense systems, since 2008 and on the advisory board of the Israeli

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Ministry of Defense since 2011. Dr. Yaron has served as the chairman of Mercury Interactive from 1996 to 2006, a publicly-traded IT optimization software company acquired by Hewlett-Packard. We believe that Dr. Yaron's qualifications to sit on our board of directors include his experience as an entrepreneur and the various leadership positions he has held on the boards of directors of software and technology companies.

Eli Gelman has been a director of Amdocs since 2002. On November 15, 2010, Mr. Gelman became the President and Chief Executive Officer of Amdocs Management Limited, our wholly-owned subsidiary. Since January 2010, Mr. Gelman has served as a director of Retalix, a publicly-held global software company, and from January 2010 to December 2010, he also served as the Chairman of Retalix. From April 2008 to December 2010, Mr. Gelman devoted his time to charitable matters focused on youth education. He served as Executive Vice President of Amdocs Management Limited from October 2002 until April 2008 and as our Chief Operating Officer from October 2006 until April 2008. Prior to October 2002, he was a Senior Vice President, where he headed our U.S. sales and marketing operations and helped spearhead our entry into the customer care and billing systems market. Before that, Mr. Gelman was an account manager for our major European and North American installations, and has led several major software development projects. Before joining Amdocs, Mr. Gelman was involved in the development of real-time software systems for communications networks. Mr. Gelman's qualifications to serve on our board of directors include his more than two decades of service to Amdocs and its customers, including as our Chief Operating Officer. With more than 29 years of experience in the software industry, he possesses a vast institutional knowledge and strategic understanding of our organization and industry.

Tamar Rapaport-Dagim has been Senior Vice President and Chief Financial Officer of Amdocs Management Limited since November 2007. Ms. Rapaport-Dagim joined Amdocs in 2004 and served as Vice President of Finance from 2004 until 2007. Prior to joining Amdocs, from 2000 to 2004, Ms. Rapaport-Dagim was the Chief Financial Officer of Emblaze, a provider of multimedia solutions over wireless and IP networks. She has also served as controller of Teledata Networks (formerly a subsidiary of ADC Telecommunications) and has held various finance management positions in public accounting.

Ayal Shiran has been Senior Vice President and Head of the Customer Business Group since August 2008. Mr. Shiran joined Amdocs in 2004, with initial responsibility as President of our Customer Business Unit responsible for Amdocs business with Cingular Wireless and later as Division President, responsible for Amdocs business with the AT&T group of companies, including SBC, Bellsouth and Cingular. Prior to joining Amdocs, Mr. Shiran served as Acting Vice President at TTI Team Telecom International, a telecommunications company. He also served in the Israel Air Force, where he was responsible for various projects concerning the development of computer systems for the F-15 jet airplane, and software development laboratories for the F-15 at Boeing.

Brian A. Shepherd has been our Senior Vice President and Head of Broadband Cable and Satellite Group, Diversification and Global Marketing since November 2010. He joined Amdocs as Business Unit President of Cable and Satellite in 2005 as part of our acquisition of DST Innovis, where he had been Senior Vice President of Customer Business Operations since 2002. From October 2006 to October 2008, he served as our Division President North America Communications and Cable, from November 2008 to April 2010, he served as President of Amdocs Interactive, leading our digital commerce and content business, and from May 2010 to October 2010, he was Group President Digital Services, Global Marketing, and Broadband Cable and Satellite. Prior to his experience with DST Innovis and Amdocs, Mr. Shepherd was an executive with SoDeog Technologies, a wireless software company, and as a strategy consultant with McKinsey & Company.

Anshoo Gaur has been our Division President for India operations since August 2007. From 2006 to 2007, Mr. Gaur was the President of IT Infrastructure Management of EDS/Mphasis, a technology services company. From 2005 to 2006, Mr. Gaur served as the Managing Director of EDS India Enterprise (EDS), where he was responsible for India strategy and operations. From 2003 to 2005, Mr. Gaur was the Global Transformation Director for Desktop Services

of EDS.

Thomas G. O'Brien has been Treasurer and Secretary of Amdocs Limited since 1998 and has held other financial management positions within Amdocs since 1995. From 1993 to 1995, Mr. O'Brien was Controller of Big River Minerals Corporation, a diversified natural resources company. From 1989 to 1993, Mr. O'Brien was the Assistant Controller for Big River Minerals Corporation. From 1983 to 1989, Mr. O'Brien was with Arthur Young and Company (now Ernst & Young LLP).

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**Compensation**

During fiscal 2011, each of our directors who was not our employee, or Non-Employee Directors, received compensation for their services as directors in the form of cash and restricted shares. Each Non-Employee Director received an annual cash payment of \$80,000. Each member of our Audit and Executive Committees who is a Non-Employee Director and who is not the chairman of such committees received an annual cash payment of \$5,000. Each member of our Compensation, Nominating and Corporate Governance and Technology and Innovation Committees, who is a Non-Employee Director and who is not the chairman of such committees, received an annual cash payment of \$1,000. The Chairmen of our Audit and Executive Committees each received an annual cash payment of \$10,000 and the Chairmen of our Compensation, Nominating and Corporate Governance and Technology and Innovation Committees each received an annual cash payment of \$5,000. Each Non-Employee Director received an annual grant of restricted shares at a total value of \$150,000. The Chairman of the Board of Directors received an additional annual amount equal to \$200,000, of which \$75,000 was paid in cash and \$125,000 was awarded in the form of restricted shares. All restricted share awards to our Non-Employee Directors are immediately vested with respect to 25%, with the remainder vesting annually in three equal installments. The price per share for the purpose of determining the value of the grants to our Non-Employee Directors was the NYSE closing price of our shares on the last trading day preceding the grant date. We also reimburse all of our Non-Employee Directors for their reasonable travel expenses incurred in connection with attending Board or committee meetings.

A total of 20 persons who served either as directors of Amdocs or members of its senior management during all or part of fiscal 2011 received remuneration from Amdocs. The aggregate remuneration paid by us to such persons in fiscal 2011 was approximately \$13.3 million, compared to \$7.8 million in fiscal 2010 and \$4.4 million in fiscal 2009, which includes amounts set aside or accrued to provide cash bonuses, pension, retirement or similar benefits, but does not include amounts expended by us for automobiles made available to such persons, expenses (including business travel, professional and business association dues) or other fringe benefits. During fiscal 2011, we granted to such persons options to purchase an aggregate of 1,042,161 ordinary shares at a weighted average price of \$26.57 per share with vesting generally over three to four-year terms and expiring ten years from the date of grant, and an aggregate of 341,642 restricted shares subject to three to four-year vesting. All options and restricted share awards were granted pursuant to our 1998 Stock Option and Incentive Plan, as amended. See discussion below Share Ownership Employee Stock Option and Incentive Plan.

***Board Practices***

The size of our Board of Directors is 13; 13 directors were elected to our Board of Directors at our annual meeting of shareholders on January 26, 2010, two directors resigned from our Board of Directors effective April 28, 2011, and one director was appointed to our Board of Directors effective November 29, 2011 leaving one vacancy. All directors hold office until the next annual meeting of our shareholders, which generally is in January of each calendar year, or until their respective successors are duly elected and qualified or their positions are earlier vacated by resignation or otherwise.

The executive officers of Amdocs Limited and each of its subsidiaries are elected by the board of directors of the relevant company on an annual basis and serve until the next annual meeting of such board of directors or until their respective successors have been duly elected and qualified or their positions are earlier vacated by resignation or otherwise.

Other than the employment agreement between us and our President and Chief Executive Officer, which provides for immediate cash severance upon termination of employment, there are currently no service contracts in effect between us and any of our directors providing for immediate cash severance upon termination of their employment. The employment agreement between us and our former President and Chief Executive Officer also provided for immediate

cash severance upon termination of employment.

***Board Committees***

Our Board of Directors has formed five committees set forth below. Members of each committee are appointed by the Board of Directors.

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The Audit Committee reviews, acts on and reports to the Board of Directors with respect to various auditing and accounting matters, including the selection of our independent registered public accounting firm, the scope of the annual audits, fees to be paid to, and the performance of, such public accounting firm, and assists with the Board of Directors oversight of our accounting practices, financial statement integrity and compliance with legal and regulatory requirements, including establishing and maintaining adequate internal control over financial reporting. The current members of our Audit Committee are Messrs. Gardner (Chair), McLennan and Olswang, all of whom are independent directors, as defined by the rules of the NYSE, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Board of Directors has determined that Mr. Gardner is an audit committee financial expert as defined by rules promulgated by the SEC, and that each member of the Audit Committee is financially literate as required by the rules of the NYSE. The Audit Committee written charter is available on our website at [www.amdocs.com](http://www.amdocs.com).

The Nominating and Corporate Governance Committee identifies individuals qualified to become members of our Board of Directors, recommends to the Board of Directors the persons to be nominated for election as directors at the annual general meeting of shareholders, develops and makes recommendations to the Board of Directors regarding our corporate governance principles and oversees the evaluations of our Board of Directors and our management. The current members of the Nominating and Corporate Governance Committee are Messrs. Olswang (Chair), Brodsky, Gardner, Kahan and Minicucci, all of whom are independent directors, as required by the NYSE listing standards, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Nominating and Corporate Governance Committee written charter is available on our website at [www.amdocs.com](http://www.amdocs.com). The Nominating and Corporate Governance Committee has approved corporate governance guidelines that are also available on our website at [www.amdocs.com](http://www.amdocs.com).

The Compensation Committee discharges the responsibilities of our Board of Directors relating to the compensation of the Chief Executive Officer of Amdocs Management Limited and makes recommendations to our Board of Directors with respect to the compensation of our other executive officers. The current members of our Compensation Committee are Messrs. McLennan (Chair), Anderson and Brodsky, all of whom are independent directors, as defined by the rules of the NYSE, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Compensation Committee written charter is available on our website at [www.amdocs.com](http://www.amdocs.com).

The Executive Committee has such responsibilities as may be delegated to it from time to time by the Board of Directors. The current members of our Executive Committee are Messrs. Anderson (Chair), Gelman, Kahan, Lemelbaum and Minicucci.

The Technology and Innovation Committee was established to assist the Board of Directors in reviewing our technological development, opportunities and innovation, in connection with the current and future business and markets. The current members of our Technology and Innovation Committee are Messrs. Zisapel (Chair), Anderson, Gelman, Lemelbaum and Dr. Yaron.

Our independent directors receive no compensation from us, except in connection with their membership on the Board of Directors and its committees as described above regarding Non-Employee Directors under Compensation.

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The following table presents the approximate number of our workforce as of each date indicated, by function and by geographical location (in each of which we operate at multiple sites):

	<b>As of September 30</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Software and Information Technology, Sales and Marketing			
North America	4,836	4,725	4,547
Israel	4,334	4,306	3,616
India	6,582	6,588	4,418
Rest of the World	2,609	2,432	3,290
	18,361	18,051	15,871
Management and Administration	1,465	1,404	1,373
Total Workforce	19,826	19,455	17,244

As a company with global operations, we are required to comply with various labor and immigration laws throughout the world, including laws and regulations in Australia, Brazil, Canada, China, Cyprus, France, Germany, India, Israel, Japan, Mexico, South Africa, the United Kingdom and the United States. Our employees in certain countries of Europe, and to a limited extent in Canada and Brazil, are protected by mandatory collective bargaining agreements. To date, compliance with such laws has not been a material burden for us. As the number of our employees increases over time in specific countries, our compliance with such regulations could become more burdensome.

Our principal operating subsidiaries are not party to any collective bargaining agreements. However, our Israeli subsidiaries are subject to certain provisions of general extension orders issued by the Israeli Ministry of Labor and Welfare which derive from various labor related statutes. The most significant of these provisions provide for mandatory pension benefits and wage adjustments in relation to increases in the consumer price index, or CPI. The amount and frequency of these adjustments are modified from time to time.

A small number of employees in Canada have union representation. In addition, all employees in Brazil, including local senior employees, are represented by unions. Collective bargaining between employers and unions is mandatory in those countries, negotiated annually, and covers work conditions, including cost of living increases, minimum wages that exceed government thresholds and overtime pay. We have a works council body in the Netherlands and France which represents the employees and with which we work closely to ensure compliance with the applicable local law. We also have an employee representative body in France.

We consider our relationship with our employees to be good and have never experienced an organized labor dispute, strike or work stoppage.

**Share Ownership*****Security Ownership of Directors and Senior Management and Certain Key Employees***



As of December 5, 2011, the aggregate number of our ordinary shares beneficially owned by our directors and senior management was 5,024,526 shares. As of December 5, 2011, none of our directors or members of senior management, other than Mr. Anderson, beneficially owned 1% or more of our outstanding ordinary shares. Mr. Anderson beneficially owned 1,942,860 ordinary shares, or approximately 1.1% of our ordinary shares outstanding as of December 5, 2011.

Beneficial ownership by a person, as of a particular date, assumes the exercise of all options and warrants held by such person that are currently exercisable or are exercisable within 60 days of such date.

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***Stock Option and Incentive Plan***

Our Board of Directors has adopted, and our shareholders have approved, our 1998 Stock Option and Incentive Plan, as amended, which we refer to as the 1998 Plan, pursuant to which up to 55,300,000 of our ordinary shares may be issued. The 1998 Plan expires on January 17, 2016. Subject to stockholder approval at our 2012 Annual General Meeting, our Board of Directors has approved a 7,000,000 ordinary share increase in the size of the 1998 Stock Option Plan, with the limitation that these additional ordinary shares may only be used to grant stock options or stock appreciation rights.

The 1998 Plan provides for the grant of restricted shares, stock options and other stock-based awards to our directors, officers, employees and consultants. The purpose of the 1998 Plan is to enable us to attract and retain qualified personnel and to motivate such persons by providing them with an equity participation in Amdocs. As of September 30, 2011, of the 55,300,000 ordinary shares available for issuance under the 1998 Plan, 26,234,063 ordinary shares had been issued as a result of option exercises and restricted share issuances under the provisions of the 1998 Plan, and 8,850,377 ordinary shares remained available for future grants, subject to a sublimit applicable to the award of restricted shares or awards dominated in stock units. As of November 30, 2011, there were outstanding options to purchase an aggregate of 19,071,061 ordinary shares at exercise prices ranging from \$6.40 to \$39.82 per share.

The 1998 Plan is administered by a committee, which determines all the terms of the awards (subject to the above), including which employees, directors or consultants are granted awards. The Board of Directors may amend or terminate the 1998 Plan, provided that shareholder approval is required to increase the number of ordinary shares available under the 1998 Plan, to materially increase the benefits accruing to participants, to change the class of employees eligible for participation, to decrease the basis upon which the minimum exercise price of options is determined or to extend the period in which awards may be granted or to grant an option that is exercisable for more than ten years. Ordinary shares subject to restricted stock awards are subject to certain restrictions on sale, transfer or hypothecation. No awards may be granted after January 2016.

As a result of acquisitions, as of September 30, 2011, we are obligated to issue (and have reserved for issuance) an additional 230,085 ordinary shares upon exercise of options that had previously been granted under the option plans of the acquired companies and were exchanged for options to purchase our ordinary shares. These options have exercise prices ranging from \$0.38 to \$37.66 per share. No additional options have been or will be granted under these predecessor plans.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**Major Shareholders**

The following table sets forth specified information with respect to the beneficial ownership of the ordinary shares as of December 5, 2011 of (i) any person known by us to be the beneficial owner of more than 5% of our ordinary shares, and (ii) all of our directors and executives officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC and, unless otherwise indicated, includes voting and investment power with respect to all ordinary shares, subject to community property laws, where applicable. The number of ordinary shares used in calculating the percentage beneficial ownership included in the table below is based on 172,265,944 ordinary shares outstanding as of December 5, 2011. Information concerning shareholders is based on periodic public filings made by such shareholders and may not necessarily be accurate as of December 5, 2011. None of our major shareholders have voting rights that are different from those of any other shareholder.

<b>Name</b>	<b>Shares Beneficially Owned</b>	<b>Percentage Ownership</b>
Manning & Napier Advisors, Inc.(1)	17,713,713	10.28%
Thornburg Investment Management Inc.(2)	15,757,400	9.15%
Ameriprise Financial, Inc.(3)	12,931,201	7.51%
All directors and executive officers as a group (17 persons)(4)	5,024,526	2.88%

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- (1) Based on a Schedule 13G filed by Manning & Napier Advisors, Inc., or Manning & Napier, with the SEC on February 11, 2011, Manning & Napier had sole voting power over 15,822,958 of our ordinary shares and sole dispositive power over 17,713,713 of our ordinary shares. The address of Manning & Napier is 290 Woodcliff Drive, Fairport, New York 14450.
- (2) The address of Thornburg Investment Management Inc., or Thornburg, is 2300 North Ridgetop Road, Santa Fe, New Mexico 87506. Based on a Schedule 13G filed by Thornburg with the SEC on January 24, 2011, Thornburg had sole voting and dispositive power over all of these ordinary shares.
- (3) Based on a Schedule 13G filed by Ameriprise Financial, Inc., or Ameriprise, and Columbia Management Investment Advisers, LLC, or Columbia, with the SEC on February 11, 2011, Ameriprise and Columbia had shared voting power over 4,010,936 of our ordinary shares and shared dispositive power over 12,931,201 of our ordinary shares. Ameriprise is the parent company of Columbia. Ameriprise and Columbia disclaim beneficial ownership of these shares. The address of Ameriprise and RiverSource is 145 Ameriprise Financial Center, Minneapolis, Minnesota 55474.
- (4) Includes options held by such directors and executive officers that are exercisable within 60 days after December 5, 2011.

Over the last three years, our major shareholders have included our directors and executive officers as a group, Thornberg, Manning, Ameriprise and its affiliates, AT&T and its affiliates, and other institutional investors, including T. Rowe Price, Janus Capital Management LLC ( Janus ), J&W Seligman & Co. Incorporated ( Seligman ) and Glenview Capital Management, LLC ( Glenview ). AT&T's share ownership decreased below 5.0% during fiscal 2009 from 5.2% in November 2006. T. Rowe Price, Janus and Glenview Capital Management, LLC ceased to be major shareholders in fiscal 2009. Seligman was acquired by Ameriprise in 2008.

As of December 5, 2011, our ordinary shares were held by 907 record holders. Based on a review of the information provided to us by our transfer agent, 592 record holders, holding approximately 99.96% of our outstanding ordinary shares held of record, were residents of the United States.

**Related Party Transactions**

AT&T, together with some of its operating subsidiaries, is our most significant customer. During fiscal 2011, AT&T and those subsidiaries accounted for 29% of our revenue. AT&T is also a beneficial owner of companies that provide certain miscellaneous support services to us in the United States.

**ITEM 8. FINANCIAL INFORMATION**

**Financial Statements**

See Financial Statements for our audited Consolidated Financial Statements and Financial Statement Schedule filed as part of this Annual Report.

**Legal Proceedings**

We are involved in various legal proceedings arising in the normal course of our business. Based upon the advice of counsel, we do not believe that the ultimate resolution of these matters will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

**Dividend Policy**

After the payment of dividends in 1998 that followed a corporate reorganization, we decided in general to retain earnings to finance the development of our business, and we have not paid any cash dividends on our ordinary shares since that time. The payment of any future dividends will be paid by us based on conditions then existing, including our earnings, financial condition and capital requirements, as well as other conditions we deem relevant. The terms of our revolving credit facility restrict, and the terms of any other debt that we may incur could effectively limit, our ability to pay dividends.

**Table of Contents****ITEM 9. THE OFFER AND LISTING**

Our ordinary shares have been quoted on the NYSE since June 19, 1998, under the symbol DOX. The following table sets forth the high and low reported sale prices for our ordinary shares for the periods indicated:

	<b>High</b>	<b>Low</b>
<b>Fiscal Year Ended September 30</b>		
2007	\$ 40.74	\$ 32.50
2008	\$ 38.03	\$ 24.65
2009	\$ 27.71	\$ 14.61
2010	\$ 32.44	\$ 24.10
2011	\$ 32.00	\$ 25.41
<b>Quarter</b>		
<i>Fiscal 2010:</i>		
First Quarter	\$ 29.04	\$ 24.10
Second Quarter	\$ 30.94	\$ 27.75
Third Quarter	\$ 32.44	\$ 26.65
Fourth Quarter	\$ 29.26	\$ 25.64
<i>Fiscal 2011:</i>		
First Quarter	\$ 30.96	\$ 25.75
Second Quarter	\$ 30.65	\$ 26.83
Third Quarter	\$ 31.00	\$ 28.34
Fourth Quarter	\$ 32.00	\$ 25.41
<i>Fiscal 2012:</i>		
First Quarter (through November 30, 2011)	\$ 31.06	\$ 25.67
<b>Most Recent Six Months</b>		
June 2011	\$ 30.50	\$ 28.34
July 2011	\$ 31.98	\$ 30.29
August 2011	\$ 32.00	\$ 25.81
September 2011	\$ 28.66	\$ 25.41
October 2011	\$ 31.06	\$ 25.67
November 2011	\$ 30.74	\$ 27.36

**ITEM 10. ADDITIONAL INFORMATION****Memorandum and Articles of Incorporation**

Amdocs Limited is registered as a company with limited liability pursuant to the laws of the Island of Guernsey with company number 19528 and whose registered office situated at Suite 5, Tower Hill House, Le Bordage, St Peter Port, Guernsey, GY1 3QT. The telephone number at that location is +44-1481-728444.

Our Memorandum of Incorporation, or the Memorandum, provides that the objects and powers of Amdocs Limited are not restricted and our Articles of Incorporation, or the Articles, provide that our business is to engage in any lawful act or activity for which companies may be organized under the Companies (Guernsey) Law, 2008, as amended, or the Companies Law.

The Articles grant the Board of Directors all the powers necessary for managing, directing and supervising the management of the business and affairs of Amdocs Limited.

Article 70(1) of the Articles provides that a director may vote in respect of any contract or arrangement in which such director has an interest notwithstanding such director's interest and an interested director will not be liable to us for any profit realized through any such contract or arrangement by reason of such director holding the

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office of director. Article 71(1) of the Articles provides that the directors shall be paid out of the funds of Amdocs Limited by way of fees such sums as the Board shall reasonably determine. Article 73 of the Articles provides that directors may exercise all the powers of Amdocs Limited to borrow money, and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and to issue securities whether outright or as security for any debt, liability or obligation of the Amdocs Limited for any third party. Such borrowing powers can only be altered through an amendment to the Articles by special resolution. Our Memorandum and Articles do not impose a requirement on the directors to own shares of Amdocs Limited in order to serve as directors, however, the Board of Directors has adopted guidelines for minimum share ownership by the directors, who have until 2013 to be in compliance with the guidelines.

On January 22, 2009 the Board of Directors was granted a five-year standing authority by the shareholders to issue a maximum of (i) 25,000,000 preferred shares and (ii) 700,000,000 ordinary shares, consisting of voting and non-voting ordinary shares. As of September 30, 2011, 174,691,685 ordinary shares were outstanding (net of treasury shares) and no non-voting ordinary shares or preferred shares were outstanding. The rights, preferences and restrictions attaching to each class of the shares were not changed by the amendment to our charter documents and are set out in the Memorandum and Articles and are as follows:

***Preferred Shares***

*Issue* the preferred shares may be issued from time to time in one or more series of any number of shares up to the amount authorized.

*Authorization to Issue Preferred Shares* authority is vested in the directors from time to time to authorize the issue of one or more series of preferred shares and to provide for the designations, powers, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions thereon.

*Relative Rights* all shares of any one series of preferred shares must be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends shall accrue.

*Liquidation* in the event of any liquidation, dissolution or winding-up of Amdocs Limited, the holders of preferred shares are entitled to a preference with respect to payment and to receive payment (at the rate fixed in any resolution or resolutions adopted by the directors in such case) plus an amount equal to all dividends accumulated to the date of final distribution to such holders. The holders of preferred shares are entitled to no further payment other than that stated above. If upon any liquidation our assets are insufficient to pay in full the amount stated above, then such assets shall be distributed among the holders of preferred shares ratably in accordance with the respective amount such holder would have received if all amounts had been paid in full.

*Voting Rights* except as otherwise provided for by the directors upon the issue of any new series of preferred shares, the holders of preferred shares have no right or power to vote on any question or in any proceeding or to be represented at, or to receive notice of, any meeting of shareholders.

***Ordinary Shares and Non-Voting Ordinary Shares***

Except as otherwise provided by the Memorandum and Articles, the ordinary shares and non-voting ordinary shares are identical and entitle holders thereof to the same rights and privileges.

*Dividends* when and as dividends are declared on our shares, the holders of voting ordinary shares and non-voting shares are entitled to share equally, share for share, in such dividends except that if dividends are



declared that are payable in voting ordinary shares or non-voting ordinary shares, dividends must be declared that are payable at the same rate in both classes of shares.

*Conversion of Non-Voting Ordinary Shares into Voting Ordinary Shares* upon the transfer of non-voting ordinary shares from the original holder thereof to any third party not affiliated with such original holder,

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non-voting ordinary shares are redesignated in our books as voting ordinary shares and automatically convert into the same number of voting ordinary shares.

*Liquidation* upon any liquidation, dissolution or winding-up, any assets remaining after creditors and the holders of any preferred shares have been paid in full shall be distributed to the holders of voting ordinary shares and non-voting ordinary shares equally share for share.

*Voting Rights* the holders of voting ordinary shares are entitled to vote on all matters to be voted on by the shareholders, and the holders of non-voting ordinary shares are not entitled to any voting rights.

*Preferences* the voting ordinary shares and non-voting ordinary shares are subject to all the powers, rights, privileges, preferences and priorities of the preferred shares as are set out in the Articles.

As regards both preferred shares and voting and non-voting ordinary shares, we have the power to purchase any of our own shares, whether or not they are redeemable and may make a payment out of capital for such purchase. If we repurchase shares off market, the repurchase must be approved by special resolution of our shareholders. If we are making a market acquisition of our own shares, the acquisition must be approved by an ordinary resolution of our shareholders. In practice, we expect that we would continue to effect any future repurchases of our ordinary shares through our subsidiaries.

The Articles now provide that our directors, officers and other agents will be indemnified by us from and against all liabilities to Amdocs Limited or third parties (including our shareholders) sustained in connection with their performance of their duties, except to the extent prohibited by the Companies Law. Under the Companies Law, Amdocs Limited may not indemnify a director for certain excluded liabilities, which are:

finances imposed in criminal proceedings;

regulatory fines;

expenses incurred in defending criminal proceedings resulting in a conviction;

expenses incurred in defending civil proceedings brought by Amdocs Limited or an affiliated company in which judgment is rendered against the director; and

expenses incurred in unsuccessfully seeking judicial relief from claims of a breach of duty.

In addition to the excluded liabilities listed above, directors may also not be indemnified by us for liabilities to us or any of our subsidiaries arising out of negligence, default, breach of duty or breach of trust of a director in relation to us or any of our subsidiaries. The Companies Law authorizes Guernsey companies to purchase insurance against such liabilities to companies or to third parties for the benefit of directors. We currently maintain such insurance. Judicial relief is available for an officer charged with a neglect of duty if the court determines that such person acted honestly and reasonably, having regard to all the circumstances of the case.

There are no provisions in the Memorandum or Articles that provide for a classified board of directors or for cumulative voting for directors.

If the share capital is divided into different classes of shares, Article 11 of the Articles provides that the rights attached to any class of shares (unless otherwise provided by the terms of issue) may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders

of the shares of that class.

A special resolution is defined by the Companies Law as being a resolution passed by a majority of shareholders representing not less than 75% of the total voting rights of the shareholders present in person or by proxy.

Rather than attend general or special meetings of our shareholders, shareholders may confer voting authority by proxy to be represented at such meetings. Generally speaking, proxies will not be counted as voting in respect of any matter as to which abstention is indicated, but abstentions will be counted as ordinary shares that are present for purposes of determining whether a quorum is present at a general or special meeting. Nominees who are members of the NYSE, and who, as brokers, hold ordinary shares in street name for customers have, by NYSE rules, the

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authority to vote on certain items in the absence of instructions from their customers, the beneficial owners of the ordinary shares. If such nominees or brokers indicate that they do not have authority to vote shares as to a particular matter, we will not count those votes in favor of such matter, however, such broker non-votes will be counted as ordinary shares that are present for purposes of determining whether a quorum is present.

Provisions in respect of the holding of general meetings and extraordinary general meetings are set out at Articles 22-41 of the Articles. The Articles provide that an annual general meeting must be held once in every calendar year (provided that not more than 15 months have elapsed since the last such meeting) at such time and place as the directors appoint. The shareholders of the Company may waive the requirement to hold an annual general meeting in accordance with the Companies Law. The directors may, whenever they deem fit, convene an extraordinary general meeting. General meetings may be convened by any shareholders holding more than 10% in the aggregate of Amdocs Limited's share capital. Shareholders may participate in general meetings by video link, telephone conference call or other electronic or telephonic means of communication.

A minimum of ten days' written notice is required in connection with an annual general meeting and a minimum of 14 days' written notice is required for an extraordinary general meeting, although a general meeting may be called by shorter notice if all shareholders entitled to attend and vote agree. The notice shall specify the place, the day and the hour of the meeting, and in the case of any special business, the general nature of that business and details of any special resolutions, waiver resolutions or unanimous resolutions being proposed at the meeting. The notice must be sent to every shareholder and every director and may be published on a website.

At general meetings, the Chairman of the Board may choose whether a resolution put to a vote shall be decided by a show of hands or by a poll. However, a poll may be demanded by not less than five shareholders having the right to vote on the resolution or by shareholders representing not less than 10% of the total voting rights of all shareholders having the right to vote on the resolution.

A shareholder is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of Amdocs Limited.

Amdocs Limited may pass resolutions by way of written resolution.

There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities.

There are no provisions in the Memorandum or Articles that would have the effect of delaying, deferring or preventing a change in control of Amdocs Limited and that would operate only with respect to a merger, acquisition or corporate restructuring involving us (or any of our subsidiaries).

There are no provisions in the Memorandum or Articles governing the ownership threshold above which our shareholder ownership must be disclosed. U.S. federal law, however, requires that all directors, executive officers and holders of 10% or more of the stock of a company that has a class of stock registered under the Securities Exchange Act of 1934, as amended (other than a foreign private issuer, such as Amdocs Limited), disclose such ownership. In addition, holders of more than 5% of a registered equity security of a company (including a foreign private issuer) must disclose such ownership.

The directors may reduce our share capital or any other capital subject to us satisfying the solvency requirements set out in the Companies Law.

## **Material Contracts**

On November 27, 2007, we entered into a Credit Agreement among us, certain of our subsidiaries, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Europe Limited, as London agent, and JPMorgan Chase Bank, N.A., Toronto branch, as Canadian agent. The agreement provides for an unsecured \$500 million five-year revolving credit facility with a syndicate of banks, which is available for general corporate purposes, including acquisitions and repurchases of our ordinary shares that we may consider from time to time.

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On December 31, 2009, we entered into a Further Amended and Restated Information Technology Services Agreement, which amends and restates in its entirety the Information Technology Services Agreement that we entered into effective April 17, 2007 with AT&T Services, as well as the Amended and Restated Information Technology Services Agreement that we entered into effective December 28, 2007 with AT&T Services. The agreement provides that Amdocs will provide services for application software to AT&T for fees as specified therein.

In the past two years, we have not entered into any other material contracts other than contracts entered into in the ordinary course of our business.

## **Taxation**

### ***Taxation of the Company***

The following is a summary of certain material tax considerations relating to Amdocs and our subsidiaries. To the extent that the discussion is based on tax legislation that has not been subject to judicial or administrative interpretation, there can be no assurance that the views expressed in the discussion will be accepted by the tax authorities in question. The discussion is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

#### *General*

Our effective tax rate was 12.4% for fiscal 2011, compared to 10.7% for fiscal 2010 and 10.9% for fiscal 2009.

There can be no assurance that our effective tax rate will not change over time as a result of a change in corporate income tax rates or other changes in the tax laws of Guernsey, the jurisdiction in which our holding company is organized, or of the various countries in which we operate. Moreover, our effective tax rate in future years may be adversely affected in the event that a tax authority challenged the manner in which items of income and expense are allocated among us and our subsidiaries. In addition, we and certain of our subsidiaries benefit from certain special tax benefits. The loss of any such tax benefits could have an adverse effect on our effective tax rate.

#### *Certain Guernsey Tax Considerations*

Tax legislation enacted in Guernsey with effect from January 1, 2008 subjected us to a zero percent corporate tax rate. In October 2009, Guernsey officials announced that Guernsey's corporate income tax regime was under review.

#### *Certain Indian Tax Considerations*

Through subsidiaries, we operate a development center and a business processing operations center in Pune, India, and another development center in Delhi, India. In 2011, the corporation tax rate applicable in India on trading activities was 32.4%. Our subsidiaries in India operate under specific favorable tax entitlements that are based upon pre-approved information technology related services activity. As a result, our subsidiary in Delhi and a business unit we established in Pune are entitled to considerable corporate income tax exemptions on all income derived from such pre-approved information technology activity, provided they continue to meet the conditions required for such tax benefits. The benefits applicable for our Pune-based subsidiaries expired on April 1, 2011. However, as of March 31, 2011, the Minimum Alternative Tax, or MAT, became applicable to all our Indian subsidiaries. The MAT is levied on book profits at the effective rate of 20% (during the Indian fiscal year commencing on April 1, 2011) and can be carried forward for 10 years to be credited against corporate income tax. Our-Delhi based subsidiary and the unit established in Pune are subject to a separate tax entitlement under which each is exempt from tax on its tax incentive-eligible activity for its first five years of operation and each will enjoy 50% reduction on its corporate

income tax for such activity for the following five years. After 10 years of operations, such 50% reduction may be available for an additional five years, subject to further investment-related undertakings that we would be required to make. Under Indian laws, any dividend distribution by our Indian subsidiaries would be subject to a dividend distribution tax at the rate of 16.2% to be paid by such subsidiaries. The Indian government has published a draft for the replacement of the country's tax code. This draft, if enacted, would

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substantially change Indian tax laws, and might reduce or eliminate the availability of these beneficial tax rates for our Indian subsidiaries.

*Certain Israeli Tax Considerations*

Our Israeli subsidiary, Amdocs (Israel) Limited, operates one of our largest development centers. Discussed below are certain Israeli tax considerations relating to this subsidiary.

*General Corporate Taxation in Israel.* In 2005, the Israeli parliament enacted legislation that has gradually reduced the Companies Tax rates of taxable income apply to Israeli companies. According to this legislation, the Companies Tax rate on taxable income will be 25% for 2010 and thereafter. However, the effective tax rate payable by an Israeli company that derives income from an Approved Enterprise may be considerably less.

*Law for the Encouragement of Capital Investments, 1959.* Certain production and development facilities of our Israeli subsidiary have been granted Approved Enterprise status pursuant to the Law for the Encouragement of Capital Investments, 1959, or the Investment Law, which provides certain tax and financial benefits to investment programs that have been granted such status.

In general, investment programs of our Israeli subsidiary that have already obtained instruments of approval for an Approved Enterprise by the Israeli Investment Center prior to the change in legislation in 2005 continue to be subject to the old provisions of the Investment Law as described below. The revisions that were introduced into the Investment Law in 2005 did not affect our effective tax rate for year ended September 30, 2011 and we do not expect them to have a significant impact on our effective tax rate in fiscal 2012.

The provisions of the Investment Law applicable to investment programs approved prior to the effective date of the amendments to the Investment Law provide that capital investments in production facilities (or other eligible assets) may, upon application to the Israeli Investment Center, be designated as an Approved Enterprise. Each instrument of approval for an Approved Enterprise relates to a specific investment program delineated both by the financial scope of the investment, including source of funds, and by the physical characteristics of the facility or other assets. The tax benefits available under any instrument of approval relate only to taxable profits attributable to the specific investment program and are contingent upon compliance with the conditions set out in the instrument of approval.

*Tax Benefits.* Taxable income derived from an Approved Enterprise is subject to a reduced corporate tax rate of 25% until the earliest of:

seven consecutive years (or ten in the case of an FIC (as defined below)) commencing in the year in which the Approved Enterprise first generates taxable income,

12 years from the year of commencement of production, or

14 years from the year of the approval of the Approved Enterprise status.

Such income is eligible for further reductions in tax rates if we qualify as a Foreign Investors Company, or FIC, depending on the percentage of the foreign ownership. Subject to certain conditions, an FIC is a company more than 25% of whose share capital (in terms of shares, rights of profits, voting and appointment of directors) and more than 25% of whose combined share and loan capital is owned by non-Israeli residents. The tax rate is 20% if the foreign investment is 49% or more but less than 74%; 15% if the foreign investment is 74% or more but less than 90%; and 10% if the foreign investment is 90% or more. The determination of foreign ownership is made on the basis of the lowest level of foreign ownership during the tax year. A company that owns an Approved Enterprise approved after



April 1, 1986, may elect to forego the entitlement to grants and apply for an alternative package of tax benefits. In addition, a company (like our Israeli subsidiary) with an enterprise outside the National Priority Regions (which is not entitled to grants) may also apply for the alternative benefits. Under the alternative benefits, undistributed income from the Approved Enterprise operations is fully tax exempt (a tax holiday) for a defined period. The tax holiday ranges between two to ten years from the first year of taxable income subject to the limitations as described above, depending principally upon the geographic location within Israel. On expiration of the tax holiday, the Approved Enterprise is eligible for a beneficial tax rate (25% or lower in the case of an FIC, as described above) for the remainder of the otherwise applicable period of benefits.

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Our primary Israeli subsidiary has elected the alternative benefits with respect to its current Approved Enterprise and its enlargements, pursuant to which the Israeli subsidiary enjoys, in relation to its Approved Enterprise operations, certain tax holidays, based on the location of activities within Israel, for a period of two or ten years (and in some cases for a period of four years) and, in the case of a two year tax holiday, reduced tax rates for an additional period of up to eight years. In case this Israeli subsidiary pays a dividend, at any time, out of income earned during the tax holiday period in respect of its Approved Enterprise, it will be subject, assuming that the current level of foreign investment in Amdocs is not reduced, to corporate tax at the otherwise applicable rate of 10% of the income from which such dividend has been paid and up to 25% if such foreign investments are reduced (as detailed above). This tax is in addition to the withholding tax on dividends as described below. Under an instrument of approval issued in December 1997 and an amendment issued in September 2006 to an instrument of approval issued in December 2000 and relating to specific investment programs of our Israeli subsidiary and to the income derived therefrom, the subsidiary is entitled to a reduced tax rate period of 13 years (instead of the eight-year period referred to above). The tax benefits, available with respect to an Approved Enterprise only to taxable income attributable to that specific enterprise, are given according to an allocation formula provided for in the Investment Law or in the instrument of approval, and are contingent upon the fulfillment of the conditions stipulated by the Investment Law, the regulations published thereunder and the instruments of approval for the specific investments in the Approved Enterprises. In the event our Israeli subsidiary fails to comply with these conditions, the tax and other benefits could be canceled, in whole or in part, and the subsidiary might be required to refund the amount of the canceled benefits, with the addition of CPI linkage differences and interest. We believe that the Approved Enterprise of our Israeli subsidiary substantially complies with all such conditions currently, but there can be no assurance that it will continue to do so.

In recent years changes were introduced to the Encouragements of Capital Investment Act. Among other things, these changes include a prospective cancellation of all tax incentives under existing law. However, under the proposed transition rules, incentive programs commenced prior to 2011 would continue to apply until expired, unless the company elects to apply the regimes provided by the new law. Additionally, the amendments include a tax incentive package that consists of flat tax rates of 10% through 15%, depending on size and location of the taxable entity, for calendar years 2011 through 2012; 7% through 12.5%, depending on size and location of the taxable entity from 2013 through 2014, and 6% through 12% for calendar years 2015 forward. These incentives would apply to industrial companies that meet certain criteria.

### *Dividends*

Dividends paid out of income derived by an Approved Enterprise during the benefit periods (or out of dividends received from a company whose income is derived by an Approved Enterprise) are subject to withholding tax at a reduced rate of 15% (deductible at source). In the case of companies that do not qualify as a FIC, the reduced rate of 15% is limited to dividends paid at any time up to 12 years thereafter. This withholding tax is in addition to the corporate tax that a company is subject to in the event it pays a dividend out of income earned during the tax holiday period related to its Approved Enterprise status.

### *Taxation Of Holders Of Ordinary Shares*

#### *Certain United States Federal Income Tax Considerations*

The following discussion describes the material U.S. federal income tax consequences to the ownership or disposition of our ordinary shares to a U.S. holder. A U.S. holder is:

- (i) an individual who is a citizen or resident of the United States;
- (ii) a corporation created or organized in, or under the laws of, the United States or of any state thereof;

(iii) an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source; or

(iv) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons has the authority to control all substantial decisions of the trust.

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This summary generally considers only U.S. holders that own ordinary shares as capital assets. This summary does not discuss the U.S. federal income tax consequences to a holder of ordinary shares that is not a U.S. holder.

This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, or the Code, current and proposed Treasury regulations promulgated thereunder, and administrative and judicial decisions as of the date hereof, all of which are subject to change, possibly on a retroactive basis. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a holder of ordinary shares based on such holder's particular circumstances (including potential application of the alternative minimum tax), U.S. federal income tax consequences to certain holders that are subject to special treatment (such as taxpayers who are broker-dealers, insurance companies, tax-exempt organizations, financial institutions, holders of securities held as part of a straddle, hedge or conversion transaction with other investments, or holders owning directly, indirectly or by attribution at least 10% of the ordinary shares), or any aspect of state, local or non-U.S. tax laws. Additionally, this discussion does not consider the tax treatment of persons who hold ordinary shares through a partnership or other pass-through entity or the possible application of U.S. federal gift or estate taxes.

This summary is for general information only and is not binding on the Internal Revenue Service, or the IRS. There can be no assurance that the IRS will not challenge one or more of the statements made herein. U.S. holders are urged to consult their own tax advisers as to the particular tax consequences to them of owning and disposing of our ordinary shares.

*Dividends.* In general, a U.S. holder receiving a distribution with respect to the ordinary shares will be required to include such distribution (including the amount of foreign taxes, if any, withheld therefrom) in gross income as a taxable dividend to the extent such distribution is paid from our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Any distributions in excess of such earnings and profits will first be treated, for U.S. federal income tax purposes, as a nontaxable return of capital to the extent of the U.S. holder's tax basis in the ordinary shares, and then, to the extent in excess of such tax basis, as gain from the sale or exchange of a capital asset. See *Disposition of Ordinary Shares* below. In general, U.S. corporate shareholders will not be entitled to any deduction for distributions received as dividends on the ordinary shares.

Dividend income is generally taxed as ordinary income. However, a maximum U.S. federal income tax rate of 15% will apply to qualified dividend income received by individuals (as well as certain trusts and estates) before January 1, 2011, provided that certain holding period requirements are met. Qualified dividend income includes dividends paid on shares of U.S. corporations as well as dividends paid on shares of qualified foreign corporations, including shares of a foreign corporation that are readily tradable on an established securities market in the United States. Since our ordinary shares are readily tradable on the NYSE, we believe that dividends paid by us with respect to our ordinary shares should constitute qualified dividend income for U.S. federal income tax purposes, provided that the holding period requirements are satisfied and none of the other special exceptions applies.

The amount of foreign income taxes that may be claimed as a credit against U.S. federal income tax in any year is subject to certain complex limitations and restrictions, which must be determined on an individual basis by each U.S. holder. The limitations set out in the Code include, among others, rules that may limit foreign tax credits allowable with respect to specific classes of income to the U.S. federal income taxes otherwise payable with respect to each such class of income. Dividends paid by us generally will be foreign source passive income or financial services income for U.S. foreign tax credit purposes.

*Disposition of Ordinary Shares.* Upon the sale, exchange or other disposition of our ordinary shares, a U.S. holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized on the disposition by such U.S. holder and its tax basis in the ordinary shares. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder has held the ordinary shares for more than one year at the time of the disposition.

In the case of a U.S. holder that is an individual, trust or estate, long-term capital gains realized upon a disposition of the ordinary shares during taxable years beginning before January 1, 2011 generally will be subject to a maximum U.S. federal tax income rate of 15%. Gains realized by a U.S. holder on a sale, exchange or other disposition of ordinary shares generally will be treated as U.S. source income for U.S. foreign tax credit purposes.

*Information Reporting and Backup Withholding.* Dividend payments with respect to the ordinary shares and proceeds from the sale, exchange or redemption of ordinary shares may be subject to information reporting to the

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IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. Generally a U.S. holder will provide such certification on IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Amounts withheld under the backup withholding rules may be credited against a U.S. holder's tax liability or refunded if the holder provides the required information to the IRS.

*Passive Foreign Investment Company Considerations.* If, during any taxable year, 75% or more of our gross income consists of certain types of passive income, or the average value during a taxable year of passive assets (generally assets that generate passive income) is 50% or more of the average value of all of our assets, we will be treated as a passive foreign investment company under U.S. federal income tax law for such year and succeeding years. If we are treated as a passive foreign investment company, we do not intend to take steps necessary to qualify as a qualified electing fund. However, if we are treated as a passive foreign investment company, a U.S. holder may be subject to increased tax liability upon the sale of our ordinary shares or upon the receipt of certain distributions, unless such U.S. holder makes an election to mark our ordinary shares to market annually.

Based on an analysis of our financial position, we believe that we have not been a passive foreign investment company for U.S. federal income tax purposes for any preceding taxable year and expect that we will not become a passive foreign investment company during the current taxable year. However, because the tests for determining passive foreign investment company status are applied as of the end of each taxable year and are dependent upon a number of factors, some of which are beyond our control, including the value of our assets, based on the market price of our ordinary shares, and the amount and type of our gross income, we cannot guarantee that we will not become a passive foreign investment company in the future or that the IRS will agree with our conclusion regarding our current passive foreign investment company status. We intend to use reasonable efforts to avoid becoming a passive foreign investment company.

Rules relating to a passive foreign investment company are very complex. U.S. holders should consult their own tax advisors regarding the U.S. federal income tax considerations discussed above and the applicability of passive foreign investment company rules to their investments in our ordinary shares.

*Certain Guernsey Tax Considerations*

Under the laws of Guernsey as currently in effect, a holder of our ordinary shares who is not a resident of Guernsey and who does not carry on business in Guernsey through a permanent establishment situated there is exempt from Guernsey income tax on dividends paid with respect to the ordinary shares and is not liable for Guernsey income tax on gains realized on sale or disposition of such ordinary shares. In addition, Guernsey does not impose a withholding tax on dividends paid by us to the holders of our ordinary shares. Tax legislation was enacted in Guernsey, effective as of January 1, 2008, to tax Guernsey resident shareholders on actual or deemed distribution of certain profits of a Guernsey company. We do not believe this legislation will affect the taxation of a holder of ordinary shares who is not a resident of Guernsey and who does not carry on business in Guernsey through a permanent establishment situated there.

There are no capital gains, gift or inheritance taxes levied by Guernsey, and the ordinary shares generally are not subject to any transfer taxes, stamp duties or similar charges on issuance or transfer.

**Documents On Display**

Edgar Filing: CARDTRONICS INC - Form S-3ASR

We are subject to the reporting requirements of foreign private issuers under the U.S. Securities Exchange Act of 1934. Pursuant to the Exchange Act, we file reports with the SEC, including this Annual Report on Form 20-F. We also submit reports to the SEC, including Form 6-K Reports of Foreign Private Issuers. You may read and copy such reports at the SEC's public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. Such reports are also available to the public on the SEC's website at [www.sec.gov](http://www.sec.gov). Some of this information may also be found on our website at [www.amdocs.com](http://www.amdocs.com).

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You may request copies of our reports, at no cost, by writing to or telephoning us as follows:

Amdocs, Inc.  
 Attention: Thomas G. O'Brien  
 1390 Timberlake Manor Parkway  
 Chesterfield, Missouri 63017  
 Telephone: +1-314-212-8328

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK****Foreign Currency Risk**

We manage our foreign subsidiaries as integral direct components of our operations. The operations of our foreign subsidiaries provide the same type of services with the same type of expenditures throughout the Amdocs group. We have determined that the U.S. dollar is our functional currency. We periodically assess the applicability of the U.S. dollar as our functional currency by reviewing the salient indicators as indicated in the authoritative guidance for foreign currency matters.

During fiscal 2011, our revenue and operating expenses in the U.S. dollar or linked to the U.S. dollar were approximately 70% to 80% and 50% to 60%, respectively. If more customers will seek contracts in currencies other than the U.S. dollar, the percentage of our revenue and operating expenses in the U.S. dollar or linked to the U.S. dollar may decrease over time and our exposure to fluctuations in currency exchange rates could increase.

In managing our foreign exchange risk, we enter into various foreign exchange contracts. We do not hedge all of our exposure in currencies other than the U.S. dollar, but rather our policy is to hedge significant net exposures in the major foreign currencies in which we operate. We use such contracts to hedge net exposure to changes in foreign currency exchange rates associated with revenue denominated in a foreign currency, primarily Canadian dollars, euros and Australian dollars, and anticipated costs to be incurred in a foreign currency, primarily Israeli shekels, Indian rupees and British pounds. We also use such contracts to hedge the net impact of the variability in exchange rates on certain balance sheet items such as accounts receivable and employee related accruals denominated primarily in Israeli shekels, Canadian dollars, euros and Australian dollars. We seek to minimize the net exposure that the anticipated cash flow from sales of our products and services, cash flow required for our expenses and the net exposure related to our balance sheet items, denominated in a currency other than our functional currency will be affected by changes in exchange rates. Please see Note 6 to our consolidated financial statements.

The table below (all dollar amounts in millions) presents the total volume or notional amounts and fair value of our derivative instruments as of September 30, 2011. Notional values are U.S. dollar translated and calculated based on forward rates as of September 30, 2011 for forward contracts, and based on spot rates as of September 30, 2011 for options.

	<b>Notional Value*</b>	<b>Fair Value of Derivatives</b>
Foreign exchange contracts	\$ 1,156	\$ (10.3)

(\* ) Gross notional amounts do not quantify risk or represent assets or liabilities of the Company, but are used in the calculation of settlements under the contracts.



### **Interest Rate Risk**

Our interest expenses and income are sensitive to changes in interest rates, as all of our cash reserves and some of our borrowings, are subject to interest rate changes. Our short-term interest-bearing investments are invested in short term conservative debt instruments, primarily U.S. dollar-denominated, and consist mainly of money market funds, U.S. government treasuries, corporate bonds, government guaranteed debt and U.S. agency securities. As of September 30, 2011, there was \$250.0 million of short-term outstanding borrowing under our revolving lines of credit, which we repaid in October 2011.

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**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable.

**ITEM 15. CONTROLS AND PROCEDURES**

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer of Amdocs Management Limited, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2011. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2011, the Chief Executive Officer and the Chief Financial Officer of Amdocs Management Limited concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal year ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's report on our internal control over financial reporting (as such defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), and the related reports of our independent public accounting firm, are included on pages F-2, F-3 and F-4 of this Annual Report on Form 20-F, and are incorporated herein by reference.

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has determined that there is at least one audit committee financial expert, Adrian Gardner, serving on our Audit Committee. Our Board of Directors has determined that Mr. Gardner is an independent director.

**ITEM 16B. CODE OF ETHICS**

Our Board of Directors has adopted a Code of Ethics and Business Conduct that sets forth legal and ethical standards of conduct for our directors and employees, including our principal executive officer, principal financial officer and other executive officers, our subsidiaries and other business entities controlled by us worldwide.

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Our Code of Ethics and Business Conduct is available on our website at [www.amdocs.com](http://www.amdocs.com), or you may request a copy of our code of ethics, at no cost, by writing to or telephoning us as follows:

Amdocs, Inc.  
Attention: Thomas G. O'Brien  
1390 Timberlake Manor Parkway  
Chesterfield, Missouri 63017  
Telephone: +1-314-212-8328

We intend to post on our website within five business days all disclosures that are required by law or NYSE rules concerning any amendments to, or waivers from, any provision of the code.

**ITEM 16C. *PRINCIPAL ACCOUNTANT FEES AND SERVICES***

During each of the last three fiscal years, Ernst & Young LLP has acted as our independent registered public accounting firm.

**Audit Fees**

Ernst & Young billed us approximately \$3.3 million for audit services for fiscal 2011, including fees associated with the annual audit and reviews of our quarterly financial results submitted on Form 6-K, consultations on various accounting issues and performance of local statutory audits. Ernst & Young billed us approximately \$3.2 million for audit services for fiscal 2010.

**Audit-Related Fees**

Ernst & Young billed us approximately \$1.2 million for audit-related services for fiscal 2011. Audit-related services principally include SAS 70 report issuances and due diligence examinations. Ernst & Young billed us approximately \$1.7 million for audit-related services for fiscal 2010.

**Tax Fees**

Ernst & Young billed us approximately \$1.8 million for tax advice, including fees associated with tax compliance, tax advice and tax planning services for fiscal 2011. Ernst & Young billed us approximately \$1.4 million for tax advice in fiscal 2010.

**All Other Fees**

Ernst & Young did not bill us for services other than Audit Fees, Audit-Related Fees and Tax Fees described above for fiscal 2011 or fiscal 2010.

**Pre-Approval Policies for Non-Audit Services**

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. These policies generally provide that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to the pre-approval procedure described below.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount. In fiscal 2011, our Audit Committee approved all of the services provided by Ernst & Young.

**ITEM 16D. *EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES***

Not applicable.

**Table of Contents****ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The following table provides information about purchases by us and our affiliated purchasers during the fiscal year ended September 30, 2011 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

**Ordinary Shares**

<b>Period</b>	<b>(a) Total Number of Shares Purchased</b>	<b>(b) Average Price Paid per Share</b>	<b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)</b>
10/1/10-10/31/10	731,229	\$ 29.53	731,229	\$ 289,391,334
11/1/10-11/30/10	1,653,408	\$ 27.10	1,653,408	\$ 224,586,773
12/1/10-12/31/10	1,747,354	\$ 26.87	1,747,354	\$ 197,635,065
01/1/11-01/31/11	1,621,724	\$ 28.02	1,621,724	\$ 152,198,297
02/1/11-02/28/11	1,764,402	\$ 29.43	1,764,402	\$ 1,100,278,602
03/1/11-03/31/11	2,179,520	\$ 29.26	2,179,520	\$ 1,036,503,245
04/1/11-04/30/11	1,656,698	\$ 29.44	1,656,698	\$ 987,722,371
05/1/11-05/31/11	1,815,713	\$ 29.95	1,815,713	\$ 933,344,426
06/1/11-06/30/11	1,833,829	\$ 29.36	1,833,829	\$ 879,503,876
07/1/11-07/31/11	1,324,458	\$ 30.82	1,324,458	\$ 838,678,294
08/1/11-08/31/11	2,926,702	\$ 27.45	2,926,702	\$ 758,346,795
09/1/11-09/30/11	2,610,500	\$ 27.28	2,610,500	\$ 687,136,548
<b>Total</b>	<b>21,865,537</b>	<b>\$ 28.53</b>	<b>21,865,537</b>	<b>\$ 687,136,548</b>

(1) In April 2010, our board of directors adopted a share repurchase plan authorizing the repurchase of up to \$700.0 million of our outstanding ordinary shares over the following 12 months. In February 2011, our board of directors adopted an additional share repurchase plan authorizing the repurchase of up to \$1 billion of our outstanding ordinary shares over the following 24 months. The authorizations permit us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices that we consider appropriate. In April 2011, we completed the repurchase of the remaining authorized amount under the April 2010 share repurchase plan and started executing repurchases under the February 2011 plan. In fiscal 2011, we repurchased 21.9 million ordinary shares at an average price of \$28.53 per share (excluding broker and transaction fees). As of September 30, 2011, we had remaining authority to repurchase up to \$687.1 million of our outstanding ordinary shares.

**ITEM 16F. *CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT***

Not applicable.

**ITEM 16G. *CORPORATE GOVERNANCE***

We believe there are no significant ways that our corporate governance practices differ from those followed by U.S. domestic companies under the NYSE listing standards. For further information regarding our corporate governance practices, please refer to our Notice and Proxy Statement to be mailed to our shareholders in December 2011, and to our website at [www.amdocs.com](http://www.amdocs.com).

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**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

Not applicable.

**ITEM 18. FINANCIAL STATEMENTS**

**Financial Statements And Schedule**

The following Financial Statements and Financial Statement Schedule of Amdocs Limited, with respect to financial results for the fiscal years ended September 30, 2011, 2010 and 2009, are included at the end of this Annual Report:

**Audited Financial Statements of Amdocs Limited**

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of September 30, 2011 and 2010

Consolidated Statements of Income for the years ended September 30, 2011, 2010 and 2009

Consolidated Statements of Changes in Shareholders' Equity for the years ended September 30, 2011, 2010 and 2009

Consolidated Statements of Cash Flows for the years ended September 30, 2011, 2010 and 2009

Notes to Consolidated Financial Statements

**Financial Statement Schedules of Amdocs Limited**

Valuation and Qualifying Accounts

All other schedules have been omitted since they are either not required or not applicable, or the information has otherwise been included.

**ITEM 19. EXHIBITS**

The exhibits listed on the Exhibit Index hereof are filed herewith in response to this Item.



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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Amdocs Limited

/s/ Thomas G. O Brien  
Thomas G. O Brien  
*Treasurer and Secretary*  
*Authorized U.S. Representative*

Date: December 8, 2011

**Table of Contents****EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
1.1	Amended and Restated Memorandum of Incorporation of Amdocs Limited (incorporated by reference to Exhibits 99.1 to Amdocs Form 6-K filed January 26, 2009)
1.2	Amended and Restated Articles of Incorporation of Amdocs Limited (incorporated by reference to Exhibit 1.2 to Amdocs Annual Report on Form 20-F, filed December 7, 2010)
2.a.1	Indenture, dated March 5, 2004, between Amdocs Limited and The Bank of New York, as trustee, for 0.50% Convertible Senior Notes due 2024 (incorporated by reference to Exhibit 99.1 to Amdocs Form 6-K, filed March 5, 2004)
2.a.2	Registration Rights Agreement, dated March 5, 2004, among Amdocs Limited and Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co. and Merrill Lynch, Pierce Fenner & Smith Incorporated (incorporated by reference to Exhibit 99.2 to Amdocs Form 6-K, filed March 5, 2004)
4.b.1	Further Amended and Restated Information Technology Services Agreement, dated September 1, 2007, between Amdocs, Inc. and AT&T Services, Inc. (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 99.3 to Amdocs Report of Foreign Private Issuer on Form 6-K dated December 3, 2007)
4.b.2	Master Agreement for Software and Services between Amdocs, Inc. and SBC Operations, Inc., effective July 7, 1998 (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 10.13 to Amdocs Amendment No. 1 to Registration Statement on Form F-1, dated May 21, 1999, Registration No. 333-75151)
4.b.3	Software Master Agreement between Amdocs Software Systems Limited and SBC Services, Inc., effective December 10, 2003 (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 99.2 to Amdocs Amendment No. 1 to Registration Statement on Form F-3, dated September 21, 2004, Registration No. 333-114344)
4.b.4	Agreement between Amdocs, Inc. and SBC Services, Inc. for Software and Professional Services, effective August 7, 2003 (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 99.3 to Amdocs Amendment No. 1 to Registration Statement on Form F-3, dated September 21, 2004, Registration No. 333-114344)
4.b.5	Amended and Restated Customer Care and Billing Services Agreement, dated as of July 1, 2006, between Sprint/United Management Company and Amdocs Software Systems Limited (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 99.1 to Amdocs Form 6-K dated December 13, 2006)
4.b.6	Agreement Amending the Further Amended and Restated Master Outsourcing Agreement and Master License and Services Agreement, dated as of October 5, 2006, between Bell Canada and Amdocs Canadian Managed Services Inc. (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 4.c.1 to Amdocs Report of Foreign Private Issuer on Form 6-K dated December 13, 2006)
4.b.7	Further Amended and Restated Information Technology Services Agreement, dated as of December 31, 2009, by and between AT&T Services, Inc. and Amdocs Inc. (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 99.1 to Amdocs Report of Foreign Private Issuer on Form 6-K dated

November 1, 2010)

- 4.b.8 Credit Agreement, dated as of November 27, 2007, among Amdocs Limited, certain of its subsidiaries, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Europe Limited, as London agent, and JPMorgan Chase Bank, N.A., Toronto branch, as Canadian agent (incorporated by reference to Exhibit 4.B.9 to Amdocs Annual Report on Form 20-F filed December 3, 2007)
- 4.c.1 Amdocs Limited 1998 Stock Option and Incentive Plan, as amended (incorporated by reference to Exhibit 99.1 to Amdocs Report of Foreign Private Issuer on Form 6-K filed May 12, 2009)

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<b>Exhibit No.</b>	<b>Description</b>
8	Subsidiaries of Amdocs Limited
12.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
12.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
13.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350
13.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350
14.1	Consent of Ernst & Young LLP
100.1	The following financial information from Amdocs Limited's Annual Report on Form 20-F for the year ended September 30, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of September 30, 2011 and 2010, (ii) Consolidated Statements of Income for the years ended September 30, 2011, 2010 and 2009, (iii) Consolidated Statements of Changes in Shareholders' Equity for the years ended September 30, 2011, 2010 and 2009, (iv) the Consolidated Statements of Cash Flows for the years ended September 30, 2011, 2010 and 2009, and (v) Notes to Consolidated Financial Statements

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**AMDOCS LIMITED**

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**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2011. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on its assessment, management concluded that, as of September 30, 2011, the Company's internal control over financial reporting is effective based on those criteria.

The financial statements and internal control over financial reporting have been audited by Ernst & Young LLP, an independent registered public accounting firm which has issued an attestation report on the Company's internal control over financial reporting included elsewhere in this Annual Report on Form 20-F.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of  
Amdocs Limited

We have audited the accompanying consolidated balance sheets of Amdocs Limited as of September 30, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2011. Our audits also included the financial statement schedule listed in the Index at Item 18 of Part III. These financial statements and the schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amdocs Limited at September 30, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Amdocs Limited's internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 8, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York  
December 8, 2011

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of  
Amdocs Limited

We have audited Amdocs Limited's internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Amdocs Limited's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Amdocs Limited maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Amdocs Limited as of September 30, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2011 of Amdocs Limited and our report dated December 8, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York



December 8, 2011

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**Table of Contents****AMDOCS LIMITED****CONSOLIDATED BALANCE SHEETS****(In thousands, except per share data)**

	<b>As of September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 831,371	\$ 1,036,195
Short-term interest-bearing investments	342,099	397,104
Accounts receivable, net	565,853	580,000
Deferred income taxes and taxes receivable	112,656	126,083
Prepaid expenses and other current assets	127,341	112,417
<b>Total current assets</b>	<b>1,979,320</b>	<b>2,251,799</b>
Equipment and leasehold improvements, net	258,402	258,273
Deferred income taxes	123,171	132,403
Goodwill	1,739,732	1,637,416
Intangible assets, net	193,422	218,762
Other noncurrent assets	342,525	321,951
<b>Total assets</b>	<b>\$ 4,636,572</b>	<b>\$ 4,820,604</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 126,977	\$ 168,321
Accrued expenses and other current liabilities	255,212	250,455
Accrued personnel costs	212,414	202,773
Short-term financing arrangements	250,000	200,000
Deferred revenue	151,423	184,481
Deferred income taxes and taxes payable	15,180	18,117
<b>Total current liabilities</b>	<b>1,011,206</b>	<b>1,024,147</b>
Deferred income taxes and taxes payable	310,045	293,723
Other noncurrent liabilities	292,020	273,354
<b>Total liabilities</b>	<b>1,613,271</b>	<b>1,591,224</b>
<b>Shareholders equity:</b>		
Preferred Shares Authorized 25,000 shares; £0.01 par value; 0 shares issued and outstanding		
Ordinary Shares Authorized 700,000 shares; £0.01 par value; 247,640 and 244,131 issued and 174,692 and 193,049 outstanding, in 2011 and 2010, respectively	4,013	3,956
Additional paid-in capital	2,495,211	2,402,163

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Treasury stock, at cost 72,948 and 51,082 ordinary shares in 2011 and 2010, respectively	(1,933,402)	(1,309,161)
Accumulated other comprehensive (loss) income	(19,656)	1,952
Retained earnings	2,477,135	2,130,470
<b>Total shareholders equity</b>	<b>3,023,301</b>	<b>3,229,380</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 4,636,572</b>	<b>\$ 4,820,604</b>

The accompanying notes are an integral part of these consolidated financial statements.

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Table of Contents**AMDOCS LIMITED****CONSOLIDATED STATEMENTS OF INCOME****(In thousands, except per share data)**

	<b>Year Ended September 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Revenue:</b>			
License	\$ 119,237	\$ 100,967	\$ 135,146
Service	3,058,491	2,883,256	2,727,461
	3,177,728	2,984,223	2,862,607
<b>Operating expenses:</b>			
Cost of license	2,627	2,021	2,686
Cost of service	2,066,740	1,903,645	1,831,947
Research and development	221,886	207,836	210,387
Selling, general and administrative	409,465	373,585	344,335
Amortization of purchased intangible assets and other	72,646	86,703	85,153
Restructuring charges and in-process research and development			20,780
	2,773,364	2,573,790	2,495,288
Operating income	404,364	410,433	367,319
Interest and other expense, net	8,657	25,135	1,165
Income before income taxes	395,707	385,298	366,154
Income taxes	49,042	41,392	39,978
<b>Net income</b>	<b>\$ 346,665</b>	<b>\$ 343,906</b>	<b>\$ 326,176</b>
<b>Basic earnings per share</b>	<b>\$ 1.87</b>	<b>\$ 1.70</b>	<b>\$ 1.60</b>
<b>Diluted earnings per share</b>	<b>\$ 1.86</b>	<b>\$ 1.69</b>	<b>\$ 1.57</b>
<b>Basic weighted average number of shares outstanding</b>	<b>185,213</b>	<b>202,584</b>	<b>204,023</b>
<b>Diluted weighted average number of shares outstanding</b>	<b>186,559</b>	<b>204,076</b>	<b>208,350</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****AMDOCS LIMITED****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**  
(In thousands)

	Ordinary Shares		Additional	Treasury	Accumulated Other Comprehensive (Loss) Income	Retained	Total
	Shares	Amount	Paid-in Capital	Stock		Earnings	Shareholders Equity
<b>Balance as of October 1, 2008</b>	203,916	\$ 3,900	\$ 2,264,800	\$ (907,280)	\$ (14,834)	\$ 1,458,605	\$ 2,805,191
Comprehensive income:							
Net income						326,176	326,176
Unrealized gain on foreign currency hedging contracts, net of \$647 tax					18,092		18,092
Unrealized gain on short-term interest-bearing investments, net of \$218 tax					4,828		4,828
Unrealized gain on defined benefit plan, net of \$1,078 tax					2,040		2,040
Comprehensive income							351,136
Cumulative effect from adoption of FSP No. 115-2/124-2 (primarily codified in ASC 320-10- Investments-Debt and Equity Securities-Overall) at April 1, 2009					(1,783)	1,783	
Employee stock options exercised	1,289	23	27,863				27,886
Repurchase of shares	(468)			(12,594)			(12,594)
Tax benefit of stock options exercised/cancelled			(1,484)				(1,484)
Issuance of restricted stock, net of forfeitures	342	7					7
Equity-based compensation expense related to employees			42,911				42,911

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<b>Balance as of September 30, 2009</b>	205,079	3,930	2,334,090	(919,874)	8,343	1,786,564	3,213,053
Comprehensive income:							
Net income						343,906	343,906
Unrealized loss on foreign currency hedging contracts, net of \$(1,537) tax					(6,934)		(6,934)
Unrealized gain on short-term interest-bearing investments, net of \$129 tax					5,150		5,150
Unrealized loss on defined benefit plan, net of \$(2,011) tax					(4,607)		(4,607)
Comprehensive income							337,515
Employee stock options exercised	1,097	17	23,618				23,635
Repurchase of shares	(13,695)			(389,287)			(389,287)
Issuance of restricted stock, net of forfeitures	568	9					9
Equity-based compensation expense related to employees			44,455				44,455
<b>Balance as of September 30, 2010</b>	193,049	3,956	2,402,163	(1,309,161)	1,952	2,130,470	3,229,380
Comprehensive income:							
Net income						346,665	346,665
Unrealized loss on foreign currency hedging contracts, net of \$(1,589) tax					(20,439)		(20,439)
Unrealized loss on short-term interest-bearing investments, net of \$(24) tax					(756)		(756)
Unrealized loss on defined benefit plan, net of \$(145) tax					(413)		(413)
Comprehensive income							325,057
Employee stock options exercised	2,590	42	56,417				56,459
Repurchase of shares	(21,866)			(624,241)			(624,241)
Issuance of restricted stock, net of forfeitures	919	15					15

Equity-based compensation expense related to employees				36,631				36,631
<b>Balance as of September 30, 2011</b>	174,692	\$ 4,013	\$ 2,495,211	\$ (1,933,402)	\$ (19,656)	\$ 2,477,135	\$ 3,023,301	

As of September 30, 2011, 2010 and 2009, accumulated other comprehensive (loss) income is comprised of unrealized (loss) gain on derivatives, net of tax, of \$(14,437), \$6,002 and \$12,936, unrealized loss on short-term interest-bearing investments, net of tax, of \$(2,023), \$(1,267) and \$(6,417) and unrealized (loss) gain on defined benefit plan, net of tax, of \$(3,196), \$(2,783) and \$1,824.

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****AMDOCS LIMITED****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	<b>Year Ended September 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Cash Flow from Operating Activities:</b>			
Net income	\$ 346,665	\$ 343,906	\$ 326,176
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	181,477	195,940	198,119
Loss from divestiture of a subsidiary		23,399	
In-process research and development expenses			5,640
Equity-based compensation expense	36,631	44,455	42,911
Deferred income taxes	1,252	(19,137)	16,249
Gain on repurchase of convertible notes			(2,185)
Excess tax benefit from equity-based compensation	(178)	(126)	(18)
Loss (gain) from short-term interest-bearing investments	1,386	(1,284)	4,449
Net changes in operating assets and liabilities, net of amounts acquired:			
Accounts receivable, net	38,062	(131,387)	131,527
Prepaid expenses and other current assets	(10,741)	9,009	(13,614)
Other noncurrent assets	(15,807)	(35,948)	(2,690)
Accounts payable, accrued expenses and accrued personnel	(46,976)	187,652	(160,321)
Deferred revenue	(34,444)	33,927	20,956
Income taxes payable, net	27,289	20,272	(19,980)
Other noncurrent liabilities	10,876	14,520	(28,063)
Net cash provided by operating activities	535,492	685,198	519,156
<b>Cash Flow from Investing Activities:</b>			
Payments for purchase of equipment and leasehold improvements, net	(109,779)	(86,945)	(82,331)
Proceeds from sale of short-term interest-bearing investments	591,147	1,503,231	1,045,278
Purchase of short-term interest-bearing investments	(521,999)	(1,449,494)	(963,433)
Net cash paid for acquisitions	(162,964)	(200,307)	(65,890)
Net cash received from divestiture of a subsidiary		20,275	
Other	(18,076)	1,734	
Net cash used in investing activities	(221,671)	(211,506)	(66,376)
<b>Cash Flow from Financing Activities:</b>			
Borrowings under financing arrangements	250,000	200,000	450,000
Payments under financing arrangements	(200,000)		(450,000)
Redemption of convertible notes			(330,780)
Repurchase of convertible notes			(116,015)



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Repurchase of shares	(624,241)	(389,287)	(20,014)
Proceeds from employee stock options exercised	56,474	23,644	27,893
Payments under capital lease, short-term financing arrangements and other	(878)	(616)	(3,952)
Net cash used in financing activities	(518,645)	(166,259)	(442,868)
Net (decrease) increase in cash and cash equivalents	(204,824)	307,433	9,912
Cash and cash equivalents at beginning of year	1,036,195	728,762	718,850
Cash and cash equivalents at end of year	\$ 831,371	\$ 1,036,195	\$ 728,762

**Supplementary Cash Flow Information**

Interest and Income Taxes Paid

Cash paid for:

Income taxes, net of refunds	\$ 19,611	\$ 46,448	\$ 39,793
Interest	433	2,846	3,321

The accompanying notes are an integral part of these consolidated financial statements.

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**AMDOCS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(dollar and share amounts in thousands, except per share data)**

**Note 1 Nature of Entity**

Amdocs Limited (the Company) is a leading provider of software and services for communications, media and entertainment industry service providers. The Company and its subsidiaries operate in one segment, providing integrated products and services. The Company designs, develops, markets, supports, implements and operates customer experience systems primarily for leading wireless, wireline, cable and satellite service providers throughout the world. Amdocs also offers a full range of advertising and media solutions for local marketing service providers and search and directory publishers.

The Company is a Guernsey corporation, which directly or indirectly holds numerous wholly-owned subsidiaries around the world. The majority of the Company's customers are in North America, Europe, Latin America and the Asia-Pacific region. The Company's main production and operating facilities are located in Brazil, Canada, Cyprus, India, Ireland, Israel and the United States.

**Note 2 Summary of Significant Accounting Policies**

***Basis of Presentation***

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.

***Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Reclassifications***

Certain immaterial amounts in prior years' financial statements have been reclassified to conform to the current year's presentation.

***Functional Currency***

The Company manages its foreign subsidiaries as integral direct components of its operations. The operations of the Company's foreign subsidiaries provide the same type of services with the same type of expenditures throughout the Amdocs group. The Company has determined that its functional currency is the U.S. dollar. The Company periodically assesses the applicability of the U.S. dollar as the Company's functional currency by reviewing the salient

indicators as indicated in the authoritative guidance for foreign currency matters.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and interest-bearing investments with insignificant interest rate risk and maturities from acquisition date of 90 days or less.

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**AMDOCS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(dollar and share amounts in thousands, except per share data)**

***Investments***

The Company classifies all of its short-term interest-bearing investments as available-for-sale securities. Such short-term interest-bearing investments consist primarily of money market funds, U.S. government treasuries, corporate bonds, government guaranteed debt and U.S. agency securities, which are stated at market value. Unrealized gains and losses are comprised of the difference between market value and amortized costs of such securities and are reflected, net of tax, as accumulated other comprehensive (loss) income in shareholders equity. Realized gains and losses on short-term interest-bearing investments are included in earnings and are derived using the first in first out (FIFO) method for determining the cost of securities. The Company recognizes an impairment charge in earnings when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. For securities with an unrealized loss that the Company intends to sell, or it is more likely than not that the Company will be required to sell before recovery of their amortized cost basis, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet these criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while other declines in fair value related to other factors are recognized in other comprehensive (loss) income. The Company uses a discounted cash flow analysis to determine the portion of the impairment that relates to the credit losses. To the extent that the net present value of the projected cash flows is less than the amortized cost of the security, the difference is considered credit loss.

***Equipment and Leasehold Improvements***

Equipment and leasehold improvements are stated at cost. Assets under capital leases are recorded at the present value of the future minimum lease payments at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which primarily ranges from three to ten years and includes the amortization of assets under capitalized leases. Leasehold improvements are amortized over the shorter of the estimated useful lives or the term of the related lease.

***Goodwill, Intangible Assets and Long-Lived Assets***

Goodwill and intangible assets deemed to have indefinite lives are subject to an annual impairment test or more frequently if impairment indicators are present. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The goodwill impairment test involves a two-step process. The first step, identifying a potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Any excess of the reporting unit goodwill carrying value over the respective implied fair value is recognized as an impairment loss.

The total purchase price of business acquisitions accounted for using the purchase method is allocated first to identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the fair value of net assets of purchased businesses is recorded as goodwill.

Other definite-life intangible assets consist primarily of core technology, customer arrangements and trademarks. Core technology and trademarks acquired by the Company are amortized over their estimated useful lives on a straight-line

basis.

Some of the acquired customer arrangements are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy generally results in accelerated amortization of such customer arrangements as compared to the straight-line method. All other acquired customer arrangements are amortized over their estimated useful lives on a straight-line basis.

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**AMDOCS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(dollar and share amounts in thousands, except per share data)**

The Company tests long-lived assets, including definite life intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability of long-lived assets is based on an estimate of the undiscounted future cash flows resulting from the use of the cash generating unit and its eventual disposition. Measurement of an impairment loss for long-lived assets, including definite life intangible assets that management expects to hold and use is based on the fair value of the cash generating unit. Long-lived assets, including definite life intangible assets, to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

***Comprehensive (Loss) Income***

Comprehensive (loss) income, net of related taxes where applicable, includes, in addition to net income:

- (i) unrealized gains and losses on available-for-sale securities;
- (ii) unrealized gains and losses in respect of derivative instruments designated as a cash flow hedge; and
- (iii) unrealized losses on defined benefit plans.

***Treasury Stock***

The Company repurchases its ordinary shares from time to time on the open market or in other transactions and holds such shares as treasury stock. The Company presents the cost to repurchase treasury stock as a reduction of shareholders' equity.

***Income Taxes***

The Company records deferred income taxes to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Deferred taxes are computed based on tax rates anticipated to be in effect when the deferred taxes are expected to be paid or realized. A valuation allowance is provided for deferred tax assets if it is more likely than not, the Company will not be able to realize their benefit.

Deferred tax liabilities and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting, or according to the expected reversal dates of the specific temporary differences if not related to an asset or liability for financial reporting, and also include anticipated withholding taxes due on subsidiaries' earnings when paid as dividends to the Company.

The Company recognizes the tax benefit from an uncertain tax position only if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The tax benefits recognized in the financial statements from such a position is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company will classify the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes. Please see Note 11 to the consolidated financial statements.

***Revenue Recognition***

Revenue is recognized only when all of the following conditions have been met: (i) there is persuasive evidence of an arrangement; (ii) delivery has occurred; (iii) the fee is fixed or determinable; and (iv) collectibility of the fee is reasonably assured. The Company usually sells its software licenses as part of an overall solution offered to a customer that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. As a result, combined license and service revenue generally is recognized over the course of these long-term projects, using the percentage of completion

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**AMDOCS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(dollar and share amounts in thousands, except per share data)**

method of accounting. When total cost estimates for these types of arrangements exceed revenues in a fixed-price arrangement, the estimated losses are recognized immediately based upon the cost applicable to the delivering unit.

Initial license fee for software revenue is recognized as work is performed, under the percentage of completion method of accounting. Subsequent license fee revenue is recognized upon completion of specified conditions in each contract, based on a customer's subscriber level or transaction volume or other measurements when greater than the level specified in the contract for the initial license fee.

Service revenue that involves significant ongoing obligations, including fees for software customization, modification, implementation and integration as part of a long-term contract, is recognized as work is performed, under the percentage of completion method of accounting. Revenue from software solutions that do not require significant customization and modification is recognized upon delivery. Service revenue that does not involve significant ongoing obligations is recognized as services are rendered.

Fees are generally considered fixed and determinable unless a significant portion (more than 10%) of the license and related service fee is due more than 12 months after delivery, in which case license and related services fees are recognized when payments are due.

In managed services contracts and in other long term contracts, revenue from the operation of a customer's system is recognized either as services are performed based on time elapsed, output produced or volume of data processed. Revenue from ongoing support services is recognized as work is performed.

Revenue from third-party hardware sales is recognized upon delivery and installation, and revenue from third-party software sales is recognized upon delivery. Revenue from third-party hardware and software sales is recorded at gross amount for transactions in which the Company is the primary obligor under the arrangement as well as, in some cases, possesses other attributes such as pricing and supplier selection latitude. In specific circumstances where the Company does not meet the above criteria, particularly when the contract stipulates that the Company is not the primary obligor, the Company recognizes revenue on a net basis. Revenue from third-party sales is included in service revenue and was less than 10% of total revenue in each of fiscal 2011, 2010 and 2009.

Maintenance revenue is recognized ratably over the term of the maintenance agreement, which in most cases is one year.

As a result of a significant portion of the Company's revenue being subject to the percentage of completion accounting method, the Company's annual and quarterly operating results may be significantly affected by the size and timing of customer projects and the Company's progress in completing such projects.

Many of the Company's agreements include multiple deliverables. The Company's multiple element arrangements are comprised of a variety of different combinations of the deliverables mentioned above. For multiple element arrangements within the scope of software revenue recognition guidance, the Company allocates revenue to each element based upon its relative fair value as determined by Vendor Specific Objective Evidence (VSOE). In the absence of fair value for a delivered element the Company uses the residual method. The residual method requires that the Company first allocate revenue to the fair value of the undelivered elements and residual revenue to delivered elements. If VSOE of any undelivered items does not exist, revenue from the entire arrangement is deferred and



recognized at the earlier of (i) delivery of those elements for which VSOE does not exist or (ii) when VSOE can be established. However, in limited cases where maintenance is the only undelivered element without VSOE, the entire arrangement fee is recognized ratably. The residual method is used mainly in multiple element arrangements that include license for the sale of software solutions that do not require significant customization, modification, implementation and integration and maintenance to determine the appropriate value for the license component. Beginning October 1, 2009, the Company adopted the new authoritative guidance for revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under this guidance the Company allocates revenue to each element based upon the relative fair value. Fair value

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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would be allocated by using a hierarchy of 1) VSOE, 2) third-party evidence of selling price for that element, or 3) estimated selling price, or ESP, for individual elements of an arrangement when VSOE or third-party evidence of selling price is unavailable. This results in the elimination of the residual method of allocating revenue consideration. The Company determines ESP for the purposes of allocating the consideration to individual elements of an arrangement by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, geographies in which the Company offers its services and internal costs. The determination of ESP is judgmental and is made through consultation with and approval by management.

In circumstances where the Company enters into a contract with a customer for the provision of managed services for a defined period of time, the Company defers certain incremental costs incurred at the inception of the contract. These costs include time and expense incurred in association with the origination of a contract. In addition, if the revenue for a delivered item is not recognized because it is not separable from the undelivered item, then the Company also defers the cost of the delivered item. The deferred costs are amortized on a straight-line basis over the managed services period, or over the recognition period of the undelivered item. Revenue associated with these capitalized costs is deferred and is recognized over the same period.

Deferred revenue represents billings to customers for licenses and services for which revenue has not been recognized. Deferred revenue that is expected to be recognized beyond the next 12 months is considered long-term deferred revenue. Unbilled accounts receivable include all revenue amounts that had not been billed as of the balance sheet date due to contractual or other arrangements with customers. Unbilled accounts receivable that are expected to be billed beyond the next 12 months are considered long-term unbilled receivables. Allowances that are netted against accounts receivable represent amounts provided for accounts for which their collectibility is not probable.

***Cost of License and Cost of Service***

Cost of license and cost of service consist of all costs associated with providing software licenses and services to customers, including identified losses on contracts and warranty expense. Estimated losses on contracts are recognized in the period in which the loss is identified. Estimated costs related to warranty obligations are initially provided at the time the product is delivered and are revised to reflect subsequent changes in circumstances and estimates. Cost of license includes license fees and royalty payments to software suppliers.

Cost of service also includes costs of third-party products associated with reselling third-party computer hardware and software products to customers, when revenue from third-party products is recorded at the gross amount. Customers purchasing third-party products from the Company generally do so in conjunction with the purchase of the Company's software and services.

***Research and Development***

Research and development expenditures consist of costs incurred in the development of new software modules and product offerings, either as part of the Company's internal product development programs, which are sold, leased or otherwise marketed, or in conjunction with customer projects. Research and development costs are expensed as incurred.

Based on the Company's product development process, technological feasibility is established upon completion of a detailed program design or, in the absence thereof, completion of a working model. Costs incurred by the Company after achieving technological feasibility and before the product is ready for customer release have been insignificant.

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***Equity-Based Compensation***

The Company measures and recognizes the compensation expense for all equity-based payments to employees and directors based on their estimated fair values. The Company estimates the fair value of employee stock options at the date of grant using a Black-Scholes valuation model and values restricted stock based on the market value of the underlying shares at the date of grant. The Company recognizes compensation costs using the graded vesting attribution method that results in an accelerated recognition of compensation costs in comparison to the straight-line method.

The Company uses a combination of implied volatility of the Company's traded options and historical stock price volatility (blended volatility) as the expected volatility assumption required in the Black-Scholes option valuation model. As equity-based compensation expense recognized in the Company's consolidated statements of income is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures.

***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents, short-term interest-bearing investments, and trade receivables. Cash and cash equivalents are maintained with several financial institutions. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate its credit risks by spreading such risks across multiple financial institutions and monitoring the risk profiles of these counterparties. The Company has conservative investment policy guidelines under which it invests its excess cash primarily in highly liquid U.S. dollar-denominated securities. The Company's revenue is generated primarily in North America. To a lesser extent, revenue is generated in Europe, the Asia-Pacific region and Latin America. Most of the Company's customers are among the largest communications and directory publishing companies in the world (or are owned by them). The Company's business is subject to the effects of general global economic conditions and market conditions in the communications industry. The Company performs ongoing credit analyses of its customer base and generally does not require collateral.

The Company evaluates accounts receivable to determine if they will ultimately be collected. Significant judgments and estimates are involved in performing this evaluation, which are based on factors that may affect a customer's ability to pay, such as past experience, credit quality of the customer, age of the receivable balance and current economic conditions. The allowance for doubtful accounts is for estimated losses resulting from accounts receivable for which their collection is not reasonably probable. As of September 30, 2011, the Company had two customers, including their subsidiaries, with accounts receivable balance of more than 10% of total accounts receivable, aggregating 35.3%, which is lower than their respective portion of total revenue. As of September 30, 2010, the Company had one customer, including its subsidiaries, with an accounts receivable balance of more than 10% of total accounts receivable, aggregating 30.0%.

***Earnings per Share***

Basic earnings per share is calculated using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding, the effect of dilutive outstanding equity-based awards using the treasury stock method and the effect of dilutive outstanding

convertible notes using the if-converted method.

***Derivatives and Hedging***

The Company carries out transactions involving foreign currency exchange derivative financial instruments. The transactions are designed to hedge the Company's exposure in currencies other than the U.S. dollar. The Company recognizes derivative instruments as either assets or liabilities and measures those instruments at fair

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value. If a derivative meets the definition of a cash flow hedge and is so designated, changes in the fair value of the derivative are recognized in other comprehensive (loss) income until the hedged item is recognized in earnings. The ineffective portion of a derivative designated as a cash flow hedge is recognized in earnings. If a derivative does not meet the definition of a cash flow hedge, the changes in the fair value are included in earnings.

***Recent Accounting Pronouncements***

In September 2011, the Financial Accounting Standards Board, or FASB, issued a revised accounting standard update intended to simplify how an entity tests goodwill for impairment. The amendment will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. This accounting standard update will be effective for the Company beginning October 1, 2012 and early adoption is permitted. The Company does not expect the adoption of this new guidance will have a material impact on its financial statements.

In June 2011, the FASB issued guidance to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance eliminates the option to present the components of other comprehensive income as part of the statement of equity, and will become effective for the Company beginning October 1, 2012. The Company is still evaluating whether to present other comprehensive income in a single continuous statement of comprehensive income or in two separate but consecutive statements.

In May 2011, the FASB issued guidance to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. The guidance changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements, and will become effective for the company beginning January 1, 2012. The Company does not expect the adoption of this new guidance will have a material impact on its financial statements.

***Adoption of New Accounting Standards***

In June 2009, the FASB issued authoritative guidance on the consolidation of variable interest entities, which was effective for the Company beginning October 1, 2010. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities, and additional disclosures for variable interests. The adoption of this new guidance did not have a material impact on the Company's financial statements.

**Note 3 Acquisitions**

The Company acquired several entities during fiscal 2011, 2010 and 2009. The entities have been consolidated into the Company's results of operations since their respective acquisition dates. These acquisitions, individually and in the aggregate, were not material in any fiscal year.

**Note 4 Fair Value Measurements**

The Company accounts for certain assets and liabilities at fair value. Fair value is the price that would be received from selling an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market

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in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. The Company categorizes each of its fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of inputs that may be used to measure fair value are as follows:

*Level 1:* Quoted prices in active markets for identical assets or liabilities;

*Level 2:* Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets), or other inputs that are observable (model-derived valuations in which significant inputs are observable) or can be derived principally from, or corroborated by, observable market data; and

*Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables present the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and 2010:

	<b>As of September 30, 2011</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Available-for-sale securities:			
Money market funds	\$ 510,711	\$	\$ 510,711
U.S. government treasuries	110,339		110,339
Corporate bonds		80,355	80,355
Government guaranteed debt		71,160	71,160
U.S. agency securities		57,540	57,540
Supranational and sovereign debt		10,270	10,270
Mortgages (including agencies and corporate)		6,395	6,395
Asset backed obligations		4,509	4,509
Commercial paper and certificates of deposit	10,105	6,105	16,210
Total available-for-sale securities	631,155	236,334	867,489
Derivative financial instruments, net		(10,270)	(10,270)
Total	\$ 631,155	\$ 226,064	\$ 857,219





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	<b>As of September 30, 2010</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Available-for-sale securities:			
Money market funds	\$ 867,335	\$	\$ 867,335
U.S. government treasuries	111,912		111,912
Corporate bonds		58,742	58,742
Government guaranteed debt		102,112	102,112
U.S. agency securities		65,724	65,724
Supranational and sovereign debt		23,771	23,771
Mortgages (including agencies and corporate)		18,948	18,948
Asset backed obligations		7,147	7,147
Commercial paper and certificates of deposit	10,048	9,254	19,302
 Total available-for-sale securities	 989,295	 285,698	 1,274,993
 Derivative financial instruments, net		 4,333	 4,333
 Total	 \$ 989,295	 \$ 290,031	 \$ 1,279,326

Available for sale securities classified as Level 2 assets are priced using observable data that may include quoted market prices for similar instruments, market dealer quotes, market spreads, non-binding market prices that are corroborated by observable market data and other observable market information and discounted cash flow techniques. The Company's derivative instruments are classified as Level 2 as they represent foreign currency forward and option contracts valued primarily based on observable inputs including forward rates and yield curves. The Company did not have any transfers between Level 1 and Level 2 fair value measurements during fiscal 2011.

***Fair Value of Financial Instruments***

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued personal costs, short-term financing arrangements and other current liabilities approximates their fair value because of the relatively short maturity of these items.

Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)****Note 5 Available-For-Sale Securities**

Available-for-sale securities consist of the following interest-bearing investments:

		<b>As of September 30, 2011</b>		
	<b>Amortized</b>	<b>Gross</b>	<b>Gross</b>	
	<b>Cost</b>	<b>Unrealized</b>	<b>Unrealized</b>	<b>Fair Value</b>
		<b>Gains</b>	<b>Losses</b>	
Money market funds	\$ 510,711	\$	\$	\$ 510,711
U.S. government treasuries	110,021	318		110,339
Corporate bonds	80,517	400	562	80,355
Government guaranteed debt	70,725	435		71,160
U.S. agency securities	57,232	308		57,540
Supranational and sovereign debt	10,247	23		10,270
Mortgages (including agencies and corporate)	7,576		1,181	6,395
Asset backed obligations	5,469		960	4,509
Commercial paper and certificates of deposit	17,092		882	16,210
Total(1)	\$ 869,590	\$ 1,484	\$ 3,585	\$ 867,489

(1) Available-for-sale securities are classified as short-term interest-bearing investments on the Company's balance sheet, except for \$525,390 of securities with maturities from date of acquisition of 90 days or less which are included in cash and cash equivalents as of September 30, 2011.

		<b>As of September 30, 2010</b>		
	<b>Amortized</b>	<b>Gross</b>	<b>Gross</b>	
	<b>Cost</b>	<b>Unrealized</b>	<b>Unrealized</b>	<b>Fair Value</b>
		<b>Gains</b>	<b>Losses</b>	
Money market funds	\$ 867,335	\$	\$	\$ 867,335
U.S. government treasuries	111,685	227		111,912
Corporate bonds	59,247	728	1,233	58,742
Government guaranteed debt	100,832	1,280		102,112
U.S. agency securities	64,837	887		65,724
Supranational and sovereign debt	23,672	99		23,771
Mortgages (including agencies and corporate)	21,062	372	2,486	18,948
Asset backed obligations	8,230		1,083	7,147
Commercial paper and certificates of deposit	19,414		112	19,302

Total(2)	\$ 1,276,314	\$ 3,593	\$ 4,914	\$ 1,274,993
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(2) Available-for-sale securities are classified as short-term interest-bearing investments on the Company's balance sheet, except for \$877,889 of securities with maturities from date of acquisition of 90 days or less which are included in cash and cash equivalents as of September 30, 2010.

As of September 30, 2011, the unrealized losses were primarily due to credit market conditions and interest rate movements. A significant portion of the unrealized losses has been in a continuous loss position for 12 months or greater. The Company assessed whether such unrealized losses for the investments in its portfolio were other-than-temporary. Based on this assessment, an immaterial credit loss was recognized through earnings in fiscal 2011, 2010 and 2009. As of September 30, 2011, unrealized losses of \$718 related to other-than-temporarily impaired securities are included in accumulated other comprehensive (loss) income.

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The following table presents a cumulative roll forward of credit losses recognized in earnings as of September 30, 2011:

Balance as of October 1, 2009	\$ 1,757
Credit losses on debt securities for which an other-than-temporary impairment was not previously recognized	198
Additional credit losses on debt securities for which an other-than-temporary impairment was previously recognized	562
Reductions for securities realized during the period	(930)
Balance as of September 30, 2010	1,587
Credit losses on debt securities for which an other-than-temporary impairment was not previously recognized	73
Additional credit losses on debt securities for which an other-than-temporary impairment was previously recognized	289
Reductions for securities realized during the period	(1,221)
Balance as of September 30, 2011	\$ 728

As of September 30, 2011, the Company's available-for-sale securities had the following maturity dates:

	<b>Market Value</b>
within one year	\$ 672,112
1 to 2 years	138,223
2 to 3 years	38,655
3 to 4 years	3,479
Thereafter	15,020
	\$ 867,489

**Note 6 Derivative Financial Instruments**

The Company's risk management strategy includes the use of derivative financial instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. The Company does not enter into derivative transactions for trading purposes.

The Company's derivatives expose it to credit risks from possible non-performance by counterparties. The Company utilizes standard counterparty master netting agreements that net certain foreign currency transactions in the event of the insolvency of one of the parties to the transaction. These master netting arrangements permit the Company to net

amounts due from the Company to a counterparty with amounts due to the Company from the same counterparty. The Company has elected to present the related assets and liabilities on a gross basis. The maximum amount of loss due to credit risk that the Company would incur if counterparties to the derivative financial instruments failed completely to perform according to the terms of the contracts, based on the fair value of the Company's derivative contracts that are favorable to the Company, was approximately \$10,475 as of September 30, 2011. The Company has limited its credit risk by entering into derivative transactions exclusively with investment-grade rated financial institutions and monitors the credit-worthiness of these financial institutions on an ongoing basis.

The Company classifies cash flows from its derivative transactions as cash flows from operating activities in the consolidated statements of cash flow.

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The table below presents the total volume or notional amounts of the Company's derivative instruments as of September 30, 2011. Notional values are U.S. dollar translated and calculated based on forward rates as of September 30, 2011 for forward contracts, and based on spot rates as of September 30, 2011 for options.

	<b>Notional Value*</b>
Foreign exchange contracts	\$ 1,156,073

(\* ) Gross notional amounts do not quantify risk or represent assets or liabilities of the Company, but are used in the calculation of settlements under the contracts.

The Company records all derivative instruments on the balance sheet at fair value. Please see Note 4 to the consolidated financial statements. The fair value of the open foreign exchange contracts recorded by the Company on its consolidated balance sheets as of September 30, 2011 and September 30, 2010, as an asset or a liability is as follows:

	<b>As of</b>	
	<b>September 30,</b>	<b>2010</b>
	<b>2011</b>	<b>2010</b>
<b><i>Derivatives designated as hedging instruments</i></b>		
Prepaid expenses and other current assets	\$ 3,800	\$ 8,993
Other noncurrent assets	597	669
Accrued expenses and other current liabilities	(14,292)	(960)
Other noncurrent liabilities	(4,622)	(292)
	(14,517)	8,410
<b><i>Derivatives not designated as hedging instruments</i></b>		
Prepaid expenses and other current assets	9,411	4,020
Accrued expenses and other current liabilities	(5,164)	(8,097)
	4,247	(4,077)
Net fair value	\$ (10,270)	\$ 4,333

***Cash Flow Hedges***

In order to reduce the impact of changes in foreign currency exchange rates on its results, the Company enters into foreign currency exchange forward and option contracts to purchase and sell foreign currencies to hedge a significant portion of its foreign currency net exposure resulting from revenue and expense transactions denominated in

currencies other than the U.S. dollar. The Company designates these contracts for accounting purposes as cash flow hedges. The Company currently hedges its exposure to the variability in future cash flows for a maximum period of two years (a significant portion of the forward and option contracts outstanding as of September 30, 2011 are expected to mature within the next 12 months).

The effective portion of the gain or loss on the derivative instruments is initially recorded as a component of other comprehensive (loss) income, a separate component of shareholders' equity, and subsequently reclassified into earnings to the same line item as the related forecasted transaction and in the same period or periods during which the hedged exposure affects earnings. The cash flow hedges are evaluated for effectiveness at least quarterly. As the critical terms of the forward contract or options and the hedged transaction are matched at inception, the hedge effectiveness is assessed generally based on changes in the fair value for cash flow hedges as compared to the changes in the fair value of the cash flows associated with the underlying hedged transactions. Hedge



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ineffectiveness, if any, and hedge components, such as time value, excluded from assessment of effectiveness testing for hedges of estimated revenue from customers, are recognized immediately in interest and other expense, net.

The effect of the Company's cash flow hedging instruments in the consolidated statement of income for the fiscal years ended September 30, 2011 and 2010, respectively, which partially offset the foreign currency impact from the underlying exposures, is summarized as follows:

	<b>Gains (Losses) Reclassified from Other Comprehensive (Loss) Income (Effective Portion) Year Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Line item in statement of income:		
Revenue	\$ (2,410)	\$ (3,466)
Cost of service	11,244	9,131
Research and development	2,477	2,490
Selling, general and administrative	2,220	1,306
Total	\$ 13,531	\$ 9,461

An aggregate gain of \$11,956 and \$8,138, net of taxes, was reclassified from other comprehensive (loss) income in the fiscal years ended September 30, 2011 and 2010, respectively. The ineffective portion of the change in fair value of a cash flow hedge, including the time value portion excluded from effectiveness testing for the fiscal years ended September 30, 2011 and 2010, was not material.

As of September 30, 2011, net losses related to derivatives designated as cash flow hedges and recorded in accumulated other comprehensive (loss) income totaled \$14,437, of which \$11,211 will be reclassified into earnings within the next 12 months and will partially offset the foreign currency impact from the underlying exposures. The amount ultimately realized in earnings will likely differ due to future changes in foreign exchange rates. (Losses) gains from cash flow hedges recognized in other comprehensive (loss) income during the fiscal years ended September 30, 2011 and 2010 were \$(8,497) and \$990, or \$(8,483) and \$1,204, net of taxes, respectively.

Cash flow hedges are required to be discontinued in the event it becomes probable that the underlying forecasted hedged transaction will not occur. The Company did not discontinue any cash flow hedges during any of the periods presented nor does the Company anticipate any such discontinuance in the normal course of business.

The activity related to the changes in net unrealized (losses) gains on cash flow hedges, net of tax, is as follows:

**Year Ended  
September 30,**

	<b>2011</b>	<b>2010</b>
Net unrealized gains on cash flow hedges, net of tax, beginning of period	\$ 6,002	\$ 12,936
Changes associated with hedging transactions, net of tax	(8,483)	1,204
Reclassification into earnings, net of tax	(11,956)	(8,138)
Net unrealized (loss) gains on cash flow hedges, net of tax, end of period	\$ (14,437)	\$ 6,002

***Other Risk Management Derivatives***

The Company also enters into foreign currency exchange forward and option contracts that are not designated as hedging instruments under hedge accounting and are used to reduce the impact of foreign currency on certain balance sheet exposures and certain revenue and expense transactions.

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These instruments are generally short-term in nature, with typical maturities of less than 12 months, and are subject to fluctuations in foreign exchange rates.

The effect of the Company's derivative instruments not designated as hedging instruments in the consolidated statement of income for the fiscal years ended September 30, 2011 and 2010, respectively, which partially offset the foreign currency impact from the underlying exposure, is summarized as follows:

Line item in statement of income:	<b>Gains (Losses) Recognized in Income Year Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Revenue	\$ (2,060)	\$ (2,461)
Cost of service	(1,301)	1,464
Research and development	151	280
Selling, general and administrative	(254)	339
Interest and other expense, net	1,713	(1,613)
Income taxes	(311)	(489)
Total	\$ (2,062)	\$ (2,480)

**Note 7 Accounts Receivable, Net**

Accounts receivable, net consists of the following:

	<b>As of September 30,</b>	
	<b>2011</b>	<b>2010</b>
Accounts receivable billed	\$ 509,371	\$ 529,182
Accounts receivable unbilled	72,048	62,246
Less allowances	(15,566)	(11,428)
Accounts receivable, net	\$ 565,853	\$ 580,000

**Note 8 Equipment and Leasehold Improvements, Net**

Components of equipment and leasehold improvements, net are:

	<b>As of September 30,</b>	
	<b>2011</b>	<b>2010</b>
Computer equipment	\$ 866,691	\$ 777,135
Leasehold improvements	164,781	157,268
Furniture, fixtures and other	57,710	55,129
	1,089,182	989,532
Less accumulated depreciation	(830,780)	(731,259)
	\$ 258,402	\$ 258,273

Total depreciation expense on equipment and leasehold improvements for fiscal years 2011, 2010 and 2009, was \$113,910, \$111,966 and \$110,365, respectively.

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The following table presents details of the Company's total goodwill:

As of October 1, 2009	\$ 1,539,424
Goodwill resulting from immaterial acquisitions	151,434
Decrease in goodwill as a result of divestiture of a subsidiary(1)	(53,442)
As of September 30, 2010	1,637,416
Goodwill resulting from an immaterial acquisition(2)	103,586
Other	(1,270)
As of September 30, 2011	\$ 1,739,732

(1) Please see Note 16 to the consolidated financial statements.

(2) During fiscal 2011, the Company acquired Bridgewater Systems ( Bridgewater ), a provider of policy management and network control solutions. In allocating the total preliminary purchase price for Bridgewater, based on estimated fair values, the Company recorded \$103,586 of goodwill, \$16,900 of core technology amortized over 8 years, \$22,899 of customer arrangements amortized over 10 years and \$2,329 of other intangible assets amortized over 5 years.

The following table presents the amortization expense of the Company's purchased intangible assets, included in each financial statement caption reported in the consolidated statements of income:

	<b>Year Ended September 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Cost of service	\$ 1,609	\$ 1,533	\$ 1,820
Amortization of purchased intangible assets	65,958	82,441	85,153
Total	\$ 67,567	\$ 83,974	\$ 86,973

The Company performs an annual goodwill impairment test during the fourth quarter of each fiscal year, or more frequently if impairment indicators are present. The Company operates in one operating segment, and this segment comprises its only reporting unit. In calculating the fair value of the reporting unit, the Company used its market capitalization and a discounted cash flow methodology. There was no impairment of goodwill in fiscal 2011, 2010 and 2009.



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The following table presents details of the Company's total purchased intangible assets:

	<b>Estimated Useful Life (in years)</b>	<b>Gross</b>	<b>Accumulated Amortization</b>	<b>Net</b>
<b>September 30, 2011</b>				
Core technology	4-8	\$ 381,056	\$ (311,541)	\$ 69,515
Customer arrangements	6-15	327,207	(215,961)	111,246
Intellectual property rights and purchased computer software	3-10	51,996	(51,996)	
Other	2-10	23,082	(10,421)	12,661
Total		\$ 783,341	\$ (589,919)	\$ 193,422
<b>September 30, 2010</b>				
Core technology	4-8	\$ 364,057	\$ (272,798)	\$ 91,259
Customer arrangements	6-15	304,308	(189,062)	115,246
Intellectual property rights and purchased computer software	3-10	51,996	(51,996)	
Other	2-10	20,753	(8,496)	12,257
Total		\$ 741,114	\$ (522,352)	\$ 218,762

The estimated future amortization expense of purchased intangible assets as of September 30, 2011 is as follows:

	<b>Amount</b>
<b>Fiscal year:</b>	
2012	\$ 52,145
2013	35,787
2014	26,493
2015	21,736
2016	18,590
Thereafter	38,671
Total	\$ 193,422

**Note 10 Other Noncurrent Assets**

Other noncurrent assets consist of the following:

	<b>As of September 30,</b>	
	<b>2011</b>	<b>2010</b>
Funded employee benefit costs(1)	\$ 137,515	\$ 131,274
Deferred costs(2)	94,546	109,698
Long term accounts receivable-unbilled	32,657	43,018
Prepaid expense	31,894	6,523
Other	45,913	31,438
	<b>\$ 342,525</b>	<b>\$ 321,951</b>

(1) Please see Note 18 to the consolidated financial statements.

(2) Please see Note 2 to the consolidated financial statements.



**Table of Contents****AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)****Note 11 Income Taxes**

The provision (benefit) for income taxes consists of the following:

	<b>Year Ended September 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Current	\$ 47,791	\$ 60,529	\$ 21,361
Deferred	1,251	(19,137)	18,617
	<b>\$ 49,042</b>	<b>\$ 41,392</b>	<b>\$ 39,978</b>

All income taxes are from continuing operations reported by the Company in the applicable taxing jurisdiction. Income taxes also include anticipated withholding taxes due on subsidiaries' earnings when paid as dividends to the Company.

Deferred income taxes are comprised of the following components:

	<b>As of September 30,</b>	
	<b>2011</b>	<b>2010</b>
Deferred tax assets:		
Deferred revenue	\$ 40,436	\$ 37,304
Employee compensation and benefits	65,320	66,804
Intangible assets, computer software and intellectual property	16,882	21,184
Net operating loss carryforwards	136,940	144,830
Other	92,412	63,358
Total deferred tax assets	351,990	333,480
Valuation allowances(1)	(137,836)	(106,743)
Total deferred tax assets, net	214,154	226,737
Deferred tax liabilities:		
Anticipated withholdings on subsidiaries' earnings	(36,640)	(37,521)
Intangible assets, computer software and intellectual property	(106,408)	(111,423)
Managed services costs	(11,110)	(13,898)
Other	(23,674)	(18,819)
Total deferred tax liabilities	(177,832)	(181,661)

Net deferred tax assets \$ 36,322    \$ 45,076

(1) Subsequent releases of the valuation allowance will be recognized through earnings.

The effective income tax rate varied from the statutory Guernsey tax rate as follows:

	<b>Year Ended September 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Statutory Guernsey tax rate	0%	0%	0%
Foreign taxes	12	11	11
Effective income tax rate	12%	11%	11%

As a Guernsey company subject to a corporate tax rate of zero percent, the Company's overall effective tax rate is attributable to foreign taxes. The Company's income before income tax expense is considered to be foreign income.

**Table of Contents****AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)**

During fiscal 2011, the net increase in valuation allowances was \$31,093, which related to the uncertainty of realizing tax benefits primarily for net capital and operating loss carryforwards related to certain of the Company's subsidiaries. Of the increase, \$12,625 was charged to other accounts, primarily goodwill in connection with a 2011 immaterial acquisition, with the remainder recorded to earnings. As of September 30, 2011, the Company had net operating loss carryforwards of \$485,199, of which \$152,738 have expiration dates through 2031 and the remainder do not expire.

During fiscal 2010, the net increase in valuation allowances was \$23,963, which related to the uncertainty of realizing tax benefits primarily for net capital and operating loss carryforwards related to certain of the Company's subsidiaries. Of the increase, \$10,541 was charged to other accounts, primarily goodwill in connection with 2010 immaterial acquisitions, with the remainder recorded to earnings. As of September 30, 2010, the Company had net operating loss carryforwards of \$520,098, of which \$159,682 have expiration dates through 2029 and the remainder do not expire.

The aggregate changes in the balance of the Company's gross unrecognized tax benefits were as follows:

	<b>Year Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Balance at beginning of fiscal year	\$ 118,662	\$ 103,304
Additions based on tax positions related to the current year	19,849	19,883
Additions for tax positions of prior years(1)	3,548	19,832
Settlements with tax authorities	(5,231)	(20,703)
Lapse of statute of limitations	(3,967)	(3,654)
Balance at end of fiscal year	\$ 132,861	\$ 118,662

(1) Additions for tax positions of prior years in fiscal 2010, primarily relates to immaterial acquisitions in fiscal 2010.

The total amount of unrecognized tax benefits, which includes interest and penalties, was \$132,861 as of September 30, 2011, all of which would affect the effective tax rate if realized.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of September 30, 2011, the Company has accrued \$17,973 in income taxes payable for interest and penalties relating to unrecognized tax benefits, of which \$2,403 was recognized in the statement of income in fiscal 2011. As of September 30, 2010, the Company has accrued \$15,570 in income taxes payable for interest and penalties relating to unrecognized tax benefits, of which \$880 was recognized in the statement of income in fiscal 2010.

The Company is currently under audit in several jurisdictions for the tax years 2005 and onwards. Timing of the resolution of audits is highly uncertain and therefore the Company generally cannot estimate the change in unrecognized tax benefits resulting from these audits within the next 12 months.

Within the next 12 months the Company believes that the amount of unrecognized tax benefits will increase in the ordinary course of business. In addition it is reasonably possible that the amount of unrecognized tax benefits will decrease by \$14,230 as a result of lapse of statute of limitations in jurisdictions in which the Company operates.

**Note 12 Repurchase of Shares**

In April 2010, the Company's board of directors authorized a share repurchase plan allowing the repurchase of up to \$700,000 of its outstanding ordinary shares over the following 12 months. In February 2011, the Company's board of directors adopted a share repurchase plan authorizing the repurchase of up to \$1,000,000 of the Company's

**Table of Contents****AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)**

outstanding ordinary shares over the following 24 months. The authorizations permit the Company to purchase its ordinary shares in open market or privately negotiated transactions at times and prices that it considers appropriate. In April 2011, the Company completed the repurchase of the remaining authorized amount under the April 2010 share repurchase plan and began executing repurchases under the February 2011 plan. In fiscal 2011, the Company repurchased 21,866 ordinary shares at an average price of \$28.53 per share (excluding broker and transaction fees). In fiscal 2010, the Company repurchased 13,695 ordinary shares at an average price of \$28.41 per share (excluding broker and transaction fees). As of September 30, 2011, the Company had remaining authority to repurchase up to \$687,137 of its outstanding ordinary shares.

**Note 13 Financing Arrangements**

In November 2007, the Company entered into an unsecured \$500,000 five-year revolving credit facility with a syndicate of banks, which is available for general corporate purposes, including acquisitions and repurchases of ordinary shares that the Company may consider from time to time. The interest rate for borrowings under the revolving credit facility is chosen at the Company's option from several pre-defined alternatives, depending on the circumstances of any advance and is based on the Company's credit ratings. As of September 30, 2011, the Company was in compliance with the financial covenants under the revolving credit facility. In September 2010, the Company borrowed an aggregate of \$200,000 under the facility and repaid it in October 2010. In September 2011, the Company borrowed an aggregate of \$250,000 under the facility and repaid it in October 2011.

As of September 30, 2011, the Company had outstanding letters of credit and bank guarantees of \$41,225. These were supported by a combination of the credit facilities and restricted cash balances that the Company maintains with various banks. In addition, as of September 30, 2011, the Company had outstanding obligations of \$1,126 in connection with leasing arrangements.

**Note 14 Other Noncurrent Liabilities**

Other noncurrent liabilities consists of the following:

	<b>As of September 30,</b>	
	<b>2011</b>	<b>2010</b>
Accrued employees costs(1)	\$ 181,890	\$ 170,780
Noncurrent deferred revenue	80,560	75,826
Accrued pension liability(2)	14,926	15,173
Other	14,644	11,575
	<b>\$ 292,020</b>	<b>\$ 273,354</b>

(1) Primarily severance pay liability in accordance with Israeli law. Please see Note 18 to the consolidated financial statements.

- (2) Primarily relates to funded status of non-contributory defined benefit plans. Please see Note 18 to the consolidated financial statements.

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**Table of Contents****AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)****Note 15 Interest and other expense, net**

Interest and other expense, net, consists of the following:

	<b>Year Ended September 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Interest income	\$ (6,180)	\$ (7,670)	\$ (16,371)
Interest expense	2,882	3,135	7,865
Gain from repurchase of 0.5% Notes			(2,185)
Foreign exchange loss	9,737	5,551	5,713
Loss from divestiture of a subsidiary(1)		23,399	
Other, net	2,218	720	6,143
	<b>\$ 8,657</b>	<b>\$ 25,135</b>	<b>\$ 1,165</b>

(1) See Note 16 to the consolidated financial statements.

**Note 16 Divestiture of a Subsidiary**

In April 2010, the Company divested an 81% majority stake in Longshine Information Technology Company Ltd., its Chinese subsidiary acquired in 2005, to a newly formed and locally-managed entity, Longshine Technology Holding, Ltd. for approximately \$26,730. The Company divested its stake after the market dynamics in China did not evolve as it had anticipated and the Company believed the divestiture would enable it to better focus its efforts on service provider opportunities in China with the Company's CES 8 portfolio. The Company retains a minority interest in Longshine, which is accounted using the cost method. In connection with the divestiture, during fiscal 2010, the Company recorded a loss of \$23,399. The loss has been reflected in interest and other expense, net.

**Note 17 Contingencies****Commitments**

The Company leases office space and vehicles under non-cancelable operating leases in various countries in which it does business. Future minimum non-cancelable lease payments based on the Company's contractual obligations as of September 30, 2011 are as follows:

**For the years ended September 30,**

2012	\$ 60,391
2013	47,125

2014	36,153
2015	28,663
Thereafter	77,354
	\$ 249,686

Future minimum non-cancelable lease payments, as stated above, do not reflect committed future sublease income of \$4,292, \$2,791, \$603 and \$83 for the years ended September 30, 2012, 2013, 2014 and 2015, respectively.

Rent expense net of sublease income, including accruals for future lease losses, was approximately \$40,104, \$40,560 and \$43,726 for fiscal 2011, 2010 and 2009, respectively.



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**AMDOCS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(dollar and share amounts in thousands, except per share data)**

***Legal Proceedings***

The Company is involved in various legal proceedings arising in the normal course of its business. Based upon the advice of counsel, the Company does not believe that the ultimate resolution of these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

***Guarantor's Accounting and Disclosure Requirements for Guarantees***

The Company generally offers its products with a limited warranty for a period of 90 days. The Company's policy is to accrue for warranty costs, if needed, based on historical trends in product failure. Based on the Company's experience, only minimal warranty charges have been required after revenue was fully recognized and, as a result, the Company did not accrue any amounts for product warranty liability during fiscal years 2011, 2010 and 2009.

The Company generally indemnifies its customers against claims of intellectual property infringement made by third parties arising from the use of the Company's software. To date, the Company has incurred and recorded only minimal costs as a result of such obligations in its consolidated financial statements.

**Note 18 Employee Benefits**

The Company accrues severance pay for the employees of its Israeli operations in accordance with Israeli law and certain employment procedures on the basis of the latest monthly salary paid to these employees and the length of time that they have worked for the Israeli operations. The severance pay liability, which is included as accrued employee costs in other noncurrent liabilities, is partially funded by amounts on deposit with insurance companies, which are included in other noncurrent assets. These severance expenses were \$28,054, \$19,570 and \$14,616 for fiscal 2011, 2010 and 2009, respectively.

The Company sponsors defined contribution plans covering certain of its employees around the world. The plans primarily provide for Company matching contributions based upon a percentage of the employees' contributions. The Company's contributions in fiscal 2011, 2010 and 2009 under such plans were not material compared to total operating expenses.

The Company maintains non-contributory defined benefit plans that provide for pension, other retirement and post employment benefits for certain employees of a Canadian subsidiary based on length of service and rate of pay. The Company accrues its obligations to these employees under employee benefit plans and the related costs net of returns on plan assets. Pension expense and other retirement benefits earned by employees are actuarially determined using the projected benefit method pro-rated on service and based on management's best estimates of expected plan investments performance, salary escalation, retirement ages of employees, discount rate, inflation and expected health care costs. The Company recognized the funded status of such plans in the balance sheet.

The fair value of the employee benefit plans' assets is based on market values. The plan assets are valued at market value for the purpose of calculating the expected return on plan assets and the amortization of experienced gains and losses. Past service costs, which may arise from plan amendments, are amortized on a straight-line basis over the average remaining service period of the employees who were active at the date of amendment. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the market-related value of plan assets is

amortized over the average remaining service period of active employees.

The pension and other benefits costs related to the non-contributory defined benefit plans were immaterial in fiscal 2011, 2010 and 2009.

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**Table of Contents****AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)****Note 19 Stock Option and Incentive Plan**

In January 1998, the Company adopted the 1998 Stock Option and Incentive Plan (the Plan), which provides for the grant of restricted stock awards, stock options and other equity-based awards to employees, officers, directors, and consultants. The purpose of the Plan is to enable the Company to attract and retain qualified personnel and to motivate such persons by providing them with an equity participation in the Company. Since its adoption, the Plan has been amended on several occasions to, among other things, increase the number of ordinary shares issuable under the Plan. The maximum number of ordinary shares authorized to be granted under the Plan is 55,300. Awards granted under the Plan generally vest over a period of four years and stock options have a term of ten years.

The following table summarizes information about options to purchase the Company's ordinary shares, as well as changes during the years ended September 30, 2011, 2010 and 2009:

	<b>Number of Share Options</b>		<b>Weighted Average Exercise Price</b>
Outstanding as of October 1, 2008	22,388	\$	32.89
Granted	3,658		18.70
Exercised	(1,289)		21.63
Forfeited	(3,436)		34.20
Outstanding as of September 30, 2009	21,321		30.93
Granted	4,735		27.71
Exercised	(1,097)		21.55
Forfeited	(2,761)		40.64
Outstanding as of September 30, 2010	22,198		29.50
Granted	4,210		28.00
Exercised	(2,590)		21.79
Forfeited	(3,372)		38.73
Outstanding as of September 30, 2011(1)	20,446	\$	28.64
Exercisable on September 30, 2011(1)	12,656	\$	29.66

(1) At September 30, 2011, the weighted average remaining contractual life of outstanding and exercisable options was 6.20 and 4.82 years, respectively.



**Table of Contents****AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)**

The following table summarizes information relating to awards of restricted shares, as well as changes during the years ended September 30, 2011, 2010 and 2009:

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding as of October 1, 2008	1,105	\$ 33.78
Granted	583	18.42
Vested	(315)	33.43
Forfeited	(248)	34.80
Outstanding as of September 30, 2009	1,125	25.69
Granted	650	27.43
Vested	(445)	26.83
Forfeited	(78)	26.95
Outstanding as of September 30, 2010	1,252	26.11
Granted	1,154	28.99
Vested	(437)	26.03
Forfeited	(235)	27.93
Outstanding as of September 30, 2011	1,734	\$ 27.80

The total intrinsic value of options exercised and the value of restricted shares vested during fiscal 2011 was \$19,394 and \$12,376, respectively. The aggregate intrinsic value of outstanding and exercisable stock options as of September 30, 2011 was \$27,504 and \$15,091, respectively.

The total income tax benefit recognized in the income statement for stock-based compensation (including restricted shares) for fiscal 2011, 2010 and 2009 was \$2,350, \$3,677 and \$5,660, respectively.

As of September 30, 2011, there was \$46,441 of unrecognized compensation expense related to unvested stock options and unvested restricted stock awards. The Company recognizes compensation costs using the graded vesting attribution method, which results in a weighted average period of approximately one year over which the unrecognized compensation expense is expected to be recognized.

**Table of Contents****AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(dollar and share amounts in thousands, except per share data)**

The following table summarizes information about stock options outstanding as of September 30, 2011:

Exercise Price	Number Outstanding	Outstanding	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price
		Number			Number	
\$ 0.38 16.75	285		2.11	\$ 11.14	245	\$ 10.99
16.92 19.12	1,086		7.22	17.34	458	17.47
19.94 25.38	1,542		5.59	21.37	877	21.95
25.89 26.50	2,058		6.77	26.05	1,955	26.04
26.57 27.47	2,725		8.84	26.68	191	26.72
27.60 29.14	4,208		7.53	28.59	1,445	27.92
29.19 32.12	2,908		2.42	31.18	2,513	31.22
32.15 33.16	2,890		6.18	33.04	2,599	33.07
33.74 35.00	1,499		5.44	34.74	1,287	34.71
35.45 37.66	905		5.72	35.80	746	35.88
38.02 39.82	340		5.09	39.12	340	39.12

Employee equity-based compensation pre-tax expense for the years ended September 30, 2011, 2010 and 2009 was as follows:

	Year Ended September 30,		
	2011	2010	2009
Cost of service	\$ 14,641	\$ 20,061	\$ 21,733
Research and development	2,701	4,218	4,249
Selling, general and administrative	19,289	20,176	16,929
Total	\$ 36,631	\$ 44,455	\$ 42,911

The fair value of options granted was estimated on the date of grant using the Black-Scholes pricing model with the assumptions noted in the following table (all in weighted averages for options granted during the year):

	Year Ended September 30,		
	2011	2010	2009

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Risk-free interest rate(1)	1.50%	1.98%	1.94%
Expected life of stock options(2)	4.50	4.32	4.46
Expected volatility(3)	30.5%	31.5%	47.9%
Expected dividend yield(4)	None	None	None
Fair value per option	\$ 7.76	\$ 7.66	\$ 7.54

(1) Risk-free interest rate is based upon U.S. Treasury yield curve appropriate for the term of the Company's employee stock options.

(2) Expected life of stock options is based upon historical experience.

(3) Expected volatility is based on blended volatility. Please see Note 2 to the consolidated financial statements.

(4) Expected dividend yield is based on the Company's history and future expectation of dividend payouts.

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**(dollar and share amounts in thousands, except per share data)****Note 20 Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings per share:

	<b>Year Ended September 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Numerator:			
Numerator for basic earnings per share	\$ 346,665	\$ 343,906	\$ 326,176
Effect of assumed conversion of 0.50% convertible notes			1,486
Numerator for diluted earnings per share	\$ 346,665	\$ 343,906	\$ 327,662
Denominator:			
Denominator for basic earnings per share weighted average number of shares outstanding	185,213	202,584	204,023
Effect of assumed conversion of 0.50% convertible notes	24	24	3,948
Effect of dilutive stock options granted	1,322	1,468	379
Denominator for dilutive earnings per share adjusted weighted average shares and assumed conversions	186,559	204,076	208,350
Basic earnings per share	\$ 1.87	\$ 1.70	\$ 1.60
Diluted earnings per share	\$ 1.86	\$ 1.69	\$ 1.57

The weighted average effect of the repurchase of ordinary shares by the Company has been included in the calculation of basic earnings per share.

For the fiscal year ended September 30, 2011, 2010 and 2009, 14,970, 16,201 and 20,623 shares, respectively were attributable to antidilutive outstanding stock options and therefore were not included in the calculation of diluted earnings per share.

**Note 21 Segment Information and Sales to Significant Customers**

The Company and its subsidiaries operate in one operating segment, providing software products and services for the communications, media and entertainment industry.

***Geographic Information***

The following is a summary of revenue and long-lived assets by geographic area. Revenue is attributed to geographic region based on the location of the customers.



	<b>Year Ended September 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b><u>Revenue</u></b>			
United States	\$ 1,899,173	\$ 1,847,351	\$ 1,754,309
Canada	433,923	404,658	400,264
Europe	403,115	353,239	394,263
Rest of the world	441,517	378,975	313,771
 Total	 \$ 3,177,728	 \$ 2,984,223	 \$ 2,862,607

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**Table of Contents****AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)**

	<b>As of September 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b><u>Long-lived Assets(1)</u></b>			
United States	\$ 81,773	\$ 110,245	\$ 138,520
Israel	45,669	40,717	43,978
India	35,071	36,322	32,578
Europe	47,717	35,353	35,366
Rest of the world	48,172	35,636	29,217
Total	\$ 258,402	\$ 258,273	\$ 279,659

(1) Includes equipment and leasehold improvements.

***Revenue and Customer Information***

Customer experience systems includes the following offerings: revenue management (convergent charging and billing, mediation, and partner relationship management), customer management (customer care, and sales and ordering), operations support systems (OSS) (network planning, service fulfillment, service assurance, inventory and discovery, service order management and OSS systems integration services), service delivery (convergent service platform, digital services, and convergent applications), portfolio enablers and network control. Customer experience systems also include a comprehensive line of services such as consulting, delivery and managed services, system implementation, integration, modification, consolidation, modernization and ongoing support, enhancement and maintenance. Directory includes comprehensive set of products and services for local marketing service providers and search and directory publishers.

	<b>Year Ended September 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Customer experience systems	\$ 2,978,288	\$ 2,775,271	\$ 2,685,460
Directory	199,440	208,952	177,147
Total	\$ 3,177,728	\$ 2,984,223	\$ 2,862,607

***Sales to Significant Customers***

The following table summarizes the percentage of sales to significant customer groups (when they amount to at least 10 percent of total revenue for the year).

	Year Ended September 30,		
	2011	2010	2009
Customer 1	29%	29%	33%
Customer 2	11	12	10
Customer 3	10	10	10

**Note 22 Operational Efficiency Program**

In the three months ended December 31, 2008, the Company commenced a series of measures designed to align its operational structure to its expected future activities and to improve efficiency. In fiscal 2009, as part of this plan and in connection with a previous year plan, the Company recorded a charge of \$15,140 consisting primarily of employee separation costs in connection with the termination of the employment of software and information

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Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(dollar and share amounts in thousands, except per share data)**

technology specialists and administrative professionals at various locations around the world. The majority of the payments for the separation of employees were made in fiscal 2009. Remaining amounts were paid in fiscal 2010.

**Note 23 Selected Quarterly Results of Operations (Unaudited)**

The following are details of the unaudited quarterly results of operations for the three months ended:

	<b>September 30,</b>	<b>June 30,</b>	<b>March 31,</b>	<b>December 31,</b>
<b>2011</b>				
Revenue	\$ 812,203	\$ 801,409	\$ 788,935	\$ 775,181
Operating income	104,552	105,672	106,556	87,584
Net income	87,379	91,785	94,110	73,391
Basic earnings per share	0.49	0.50	0.50	0.38
Diluted earnings per share	0.49	0.50	0.50	0.38
<b>2010</b>				
Revenue	\$ 762,194	\$ 753,249	\$ 743,969	\$ 724,811
Operating income	102,888	105,269	103,127	99,149
Net income	94,738	92,265	68,550	88,353
Basic earnings per share	0.49	0.45	0.33	0.43
Diluted earnings per share	0.48	0.45	0.33	0.43

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Schedule

Valuation and Qualifying Accounts

**VALUATION AND QUALIFYING ACCOUNTS**

(In thousands)

	<b>Accounts Receivable Allowances</b>	<b>Valuation Allowances on Net Deferred Tax Assets</b>
Balance as of October 1, 2008	\$ 34,564	\$ 76,481
Charged to costs and expenses	1,436	22,756 (1)
Charged to revenue	3,768	
Charged to other accounts	3,397 (2)	
Deductions	(33,287) (4)	(16,457) (3)
Balance as of September 30, 2009	9,878	82,780
Charged to costs and expenses	2,710	18,344 (5)
Charged to revenue	1,329	
Charged to other accounts	1,503 (7)	15,601 (6)
Deductions	(3,992)	(9,982) (8)
Balance as of September 30, 2010	11,428	106,743
Charged to costs and expenses	7,602	24,372 (9)
Charged to revenue	2,132	
Charged to other accounts	1,488 (11)	16,685(10)
Deductions	(7,084)	(9,964)(12)
Balance as of September 30, 2011	\$ 15,566	\$ 137,836

(1) Valuation allowances on deferred tax assets incurred during fiscal 2009.

(2) Acquired as part of a 2009 small acquisition.

(3) \$3,481 of valuation allowances on deferred tax assets incurred primarily in connection with 2006 and 2008 acquisitions was released through goodwill, \$7,172 of valuation allowances on deferred tax assets was written off against the related deferred tax assets, the remaining deductions in the valuation allowances on net deferred tax assets were released to earnings.

(4)

Primarily attributable to a settlement with a customer in which the allowances were written off against the related accounts receivable.

- (5) Valuation allowances on deferred tax assets incurred during fiscal 2010.
- (6) Includes valuation allowances on deferred tax assets incurred in connection with 2010 small acquisitions.
- (7) Acquired as part of 2010 small acquisitions.
- (8) \$5,060 of valuation allowances on deferred tax assets were written off against the related deferred tax assets, and the remaining deductions in the valuation allowances on net deferred tax assets were released to earnings.
- (9) Valuation allowances on deferred tax assets incurred during fiscal 2011.
- (10) Includes valuation allowances on deferred tax assets incurred in connection with 2011 small acquisition.
- (11) Acquired as part of 2011 small acquisition.
- (12) \$4,060 of valuation allowances on deferred tax assets were written off against the related deferred tax assets, and the remaining deductions in the valuation allowances on net deferred tax assets were released to earnings.