

Backlog

Included in backlog are all software license fees, maintenance fees and services specified in executed contracts, as well as revenues from assumed contract renewals to the extent that the Company believes recognition of the related revenue will occur within the corresponding backlog period. The Company has historically included assumed renewals in backlog based upon automatic renewal provisions in the executed contract and the Company's historic experience with customer renewal rates.

In computing the Company's 60-month backlog, the following key assumptions are used:

- Maintenance fees are assumed to exist for the duration of the license term for those contracts in which the committed maintenance term is less than the committed license term.
- License and facilities management arrangements are assumed to renew at the end of their committed term at a rate consistent with historical Company experiences.
- Non-recurring license arrangements are assumed to renew as recurring revenue streams.
- Foreign currency exchange rates are assumed to remain constant over the 60-month backlog period for those contracts stated in currencies other than the U.S. dollar.
- Company pricing policies and practices are assumed to remain constant over the 60-month backlog period.

In computing the Company's 60-month backlog, the following items are specifically not taken into account:

- Anticipated increases in transaction volumes in customer systems.
- Optional annual uplifts or inflationary increases in recurring fees.
- Services engagements, other than facilities management, are not assumed to renew over the 60-month backlog period.
- The potential impact of merger activity within the Company's markets and/or customers is not reflected in the computation of 60-month backlog.

In conjunction with the reporting of a 60-month backlog, the Company has revised its methodology for calculating its 12-month backlog, which is now consistent with the methodology used in the 60-month calculation. Specifically, the amounts included in 12-month backlog do not include adjustments for identified risk categories as was previously performed, and it assumes renewal of one-time license fees on a monthly fee basis if such renewal is expected to occur in the next 12 months.

The Company's customers may attempt to renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition, or general changes in economic conditions in the customer's industry or geographic location, or the Company may experience delays in the development or delivery of products or services specified in customer contracts which may cause the actual renewal rates and amounts to differ from historical experiences. Changes in foreign currency exchange rates may also impact the amount of revenue actually recognized in future periods. Accordingly, there can be no assurance that contracts included in backlog will actually generate the specified revenues or that the actual revenues will be generated within the corresponding 12-month or 60-month period.