

SUNGARD DATA SYSTEMS INC

Form 10-Q

November 06, 2008

[Table of Contents](#)

United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2008

OR

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 1-12989

SunGard[®] Data Systems Inc.

(Exact name of registrant as specified in its charter)

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Delaware **51-0267091**
(State or other jurisdiction of **(IRS Employer**
incorporation or organization) **Identification No.)**
680 East Swedesford Road, Wayne, Pennsylvania 19087
(Address of principal executive offices, including zip code)
484-582-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 100 shares of the registrant's common stock outstanding as of September 30, 2008.

Table of Contents

SUNGARD DATA SYSTEMS INC.

AND SUBSIDIARIES

INDEX

	Page
Part I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements:</u>	
<u>Consolidated Balance Sheets as of December 31, 2007 and September 30, 2008 (unaudited)</u>	1
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2007 and 2008 (unaudited)</u>	2
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2007 and 2008 (unaudited)</u>	3
<u>Notes to Consolidated Financial Statements (unaudited)</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	29
Item 4T. <u>Controls and Procedures</u>	29
Part II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	30
Item 1A. <u>Risk Factors</u>	30
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
Item 3. <u>Defaults upon Senior Securities</u>	30
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	30
Item 5. <u>Other Information</u>	30
Item 6. <u>Exhibits</u>	30
<u>SIGNATURES</u>	31

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****SunGard Data Systems Inc.****Consolidated Balance Sheets****(In millions except share and per-share amounts)****(unaudited)**

	December 31, 2007	September 30, 2008
Assets		
Current:		
Cash and cash equivalents (Note 10)	\$ 427	\$ 1,588
Trade receivables, less allowance for doubtful accounts of \$12 and \$26	290	254
Earned but unbilled receivables	63	86
Prepaid expenses and other current assets	166	139
Clearing broker assets	469	462
Retained interest in accounts receivable sold	243	237
Deferred income taxes	32	33
Total current assets	1,690	2,799
Property and equipment, less accumulated depreciation of \$533 and \$676	852	896
Software products, less accumulated amortization of \$542 and \$749	1,266	1,157
Customer base, less accumulated amortization of \$475 and \$640	2,745	2,615
Other tangible and intangible assets, less accumulated amortization of \$21 and \$28	179	217
Trade name	1,022	1,022
Goodwill	7,086	7,099
Total Assets	\$ 14,840	\$ 15,805
Liabilities and Stockholder's Equity		
Current:		
Short-term and current portion of long-term debt	\$ 55	\$ 311
Accounts payable	85	74
Accrued compensation and benefits	271	237
Accrued interest expense	148	72
Other accrued expenses	390	338
Clearing broker liabilities	434	459
Deferred revenue	825	856
Total current liabilities	2,208	2,347
Long-term debt	7,430	8,458
Deferred income taxes	1,646	1,572
Total liabilities	11,284	12,377

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Commitments and contingencies

Stockholder s equity:

Common stock, par value \$.01 per share; 100 shares authorized, issued and outstanding		
Capital in excess of par value	3,694	3,716
Accumulated deficit	(207)	(262)
Accumulated other comprehensive income	69	(26)
Total stockholder s equity	3,556	3,428
Total Liabilities and Stockholder s Equity	\$ 14,840	\$ 15,805

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

Table of Contents**SunGard Data Systems Inc.****Consolidated Statements of Operations****(In millions)****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2008	2007	2008
Revenue:				
Services	\$ 1,098	\$ 1,267	\$ 3,162	\$ 3,679
License and resale fees	87	78	252	235
Total products and services	1,185	1,345	3,414	3,914
Reimbursed expenses	37	49	99	139
	1,222	1,394	3,513	4,053
Costs and expenses:				
Cost of sales and direct operating	581	728	1,649	2,024
Sales, marketing and administration	240	245	748	815
Product development	64	84	202	241
Depreciation and amortization	63	70	183	207
Amortization of acquisition-related intangible assets	110	131	319	361
	1,058	1,258	3,101	3,648
Income from operations	164	136	412	405
Interest income	4	4	13	13
Interest expense and amortization of deferred financing fees	(161)	(142)	(485)	(433)
Other expense	(11)	(24)	(51)	(49)
Loss before income taxes	(4)	(26)	(111)	(64)
Provision for (benefit from) income taxes	(15)	9	(21)	(9)
Net income (loss)	\$ 11	\$ (35)	\$ (90)	\$ (55)

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

Table of Contents**SunGard Data Systems Inc.****Consolidated Statements of Cash Flows****(In millions)****(Unaudited)**

	Nine Months Ended September 30,	
	2007	2008
<i>Cash flow from operations:</i>		
Net loss	\$ (90)	\$ (55)
Reconciliation of net loss to cash flow provided by operations:		
Depreciation and amortization	502	568
Deferred income tax benefit	(72)	(91)
Stock compensation expense	19	21
Amortization of deferred financing costs and debt discount	37	27
Other noncash items	3	18
Accounts receivable and other current assets	39	44
Accounts payable and accrued expenses	(122)	(174)
Clearing broker assets and liabilities, net	4	31
Deferred revenue	9	
Cash flow provided by operations	329	389
<i>Investment activities:</i>		
Cash paid for acquired businesses, net of cash acquired	(223)	(174)
Cash paid for property and equipment and software	(213)	(280)
Other investing activities	7	2
Cash used in investment activities	(429)	(452)
<i>Financing activities:</i>		
Cash received from borrowings, net of fees	656	1,326
Cash used to repay debt	(504)	(75)
Other financing activities	(15)	(15)
Cash provided by financing activities	137	1,236
Effect of exchange rate changes on cash	9	(12)
Increase in cash and cash equivalents	46	1,161
Beginning cash and cash equivalents	316	427
Ending cash and cash equivalents	\$ 362	\$ 1,588
<i>Supplemental information:</i>		
Acquired businesses:		
Property and equipment	\$ 59	\$ 6
Software products	44	61
Customer base	79	85

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Goodwill	151	106
Other tangible and intangible assets	10	1
Deferred income taxes	(46)	(33)
Purchase price obligations and debt assumed	(38)	(19)
Net current liabilities assumed	(36)	(33)
Cash paid for acquired businesses, net of cash acquired of \$20 and \$24, respectively	\$ 223	\$ 174

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

Table of Contents

SUNGARD DATA SYSTEMS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation:

SunGard Data Systems Inc. (SunGard or the Company) was acquired on August 11, 2005 (the Transaction) by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (collectively, the Sponsors).

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II, which is a subsidiary of SunGard Capital Corp. All of these companies were formed for the purpose of facilitating the Transaction and are collectively referred to as the Holding Companies.

SunGard has four reportable segments: Financial Systems (FS), Higher Education (HE), Public Sector (PS) and Availability Services (AS). The Company's Software & Processing Solutions business is comprised of the FS, HE and PS segments. The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated. The consolidated financial statements exclude the accounts of the Holding Companies.

The accompanying interim consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), consistent in all material respects with those applied in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. Interim financial reporting does not include all of the information and footnotes required by GAAP for complete financial statements. The interim financial information is unaudited, but reflects all normal adjustments which are, in the opinion of management, necessary to provide a fair statement of results for the interim periods presented. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141R, Business Combinations, (SFAS 141R), which changes accounting principles for business acquisitions. SFAS 141R requires the recognition of all the assets acquired and liabilities assumed in the transaction based on the acquisition-date fair value. Certain provisions of this standard will, among other things, impact the determination of consideration paid or payable in a business combination and change accounting practices for transaction costs, acquired contingencies, acquisition-related restructuring costs, in-process research and development, indemnification assets, and tax benefits. SFAS 141R is effective for business combinations and adjustments to all acquisition-related deferred tax asset and liability balances occurring after December 31, 2008. The Company is currently evaluating the requirements of this standard; however, this standard could have a significant impact on the consolidated financial statements.

In December 2007, the FASB also issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS 160). The objective of SFAS 160 is to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective January 1, 2009. The Company has not yet determined the impact of adopting SFAS 160 on the consolidated financial statements, but would not expect SFAS 160 to have a material impact on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). SFAS 161 is intended to help investors better understand how derivative instruments and hedging activities affect an entity's financial position, financial performance and cash flows through enhanced disclosure requirements. SFAS 161 is effective as of January 1, 2009. The Company is currently evaluating the impact of this standard, but would not expect SFAS 161 to have a material impact on the consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, Determination of the Useful Life of Intangible Assets. FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142).

Table of Contents

FSP 142-3 is intended to improve the consistency between the useful life of an intangible asset determined under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R and other GAAP. FSP 142-3 is effective as of January 1, 2009. The Company is currently evaluating the impact of this staff position but would not expect FSP 142-3 to have a material impact on the consolidated financial statements.

2. Acquisitions:

The Company seeks to acquire businesses that broaden its existing product lines and service offerings by adding complementary products and service offerings and by expanding its geographic reach. During the nine months ended September 30, 2008, the Company completed three acquisitions in its FS segment and one acquisition in its AS segment. Cash paid, net of cash acquired and subject to certain adjustments, was \$174 million. The allocations of purchase price for these acquisitions and one completed late in 2007 are preliminary. See Note 10, Subsequent Events.

The following table lists the businesses the Company acquired in the first nine months of 2008:

Acquired Company/Business	Date Acquired	Description
Advanced Portfolio Technologies, Inc.	2/29/2008	Portfolio optimization and risk management software.
Corporate Payments Division of Payformance Corporation	2/29/2008	Integrated electronic and outsourced payment solutions.
Strohl Systems Group, Inc.	5/21/2008	Business continuity planning software.
Delphi Technologies Ltd.	7/1/2008	Consulting and IT professional services to banks and insurance companies in Ireland.

Goodwill

The following table summarizes changes in goodwill by segment (in millions):

	FS	HE	PS	AS	Total
Balance at December 31, 2007	\$ 2,942	\$ 971	\$ 911	\$ 2,262	\$ 7,086
2008 acquisitions	43			67	110
Income tax adjustments related to the Transaction and prior acquisitions	(9)	(4)	(6)	(15)	(34)
Effect of foreign currency translation	(12)		(12)	(39)	(63)
Balance at September 30, 2008	\$ 2,964	\$ 967	\$ 893	\$ 2,275	\$ 7,099

Table of Contents**3. Clearing Broker Assets and Liabilities:**

Clearing broker assets and liabilities are comprised of the following (in millions):

	December 31, 2007	September 30, 2008
Segregated customer cash and treasury bills	\$ 109	\$ 199
Securities owned	25	31
Securities borrowed	302	181
Receivables from customers and other	33	51
Clearing broker assets	\$ 469	\$ 462
Payables to customers	\$ 114	\$ 223
Securities loaned	271	123
Customer securities sold short, not yet purchased	16	5
Payable to brokers and dealers	33	108
Clearing broker liabilities	\$ 434	\$ 459

Segregated customer cash and treasury bills are held by the Company on behalf of customers. Clearing broker securities consist of trading and investment securities at fair market values, which are based on quoted market rates. Securities borrowed and loaned are collateralized financing transactions which are cash deposits made to or received from other broker/dealers. Receivables from and payables to customers represent amounts due or payable on cash and margin transactions.

4. Debt:*Incremental Senior Secured Term Loan*

On September 29, 2008, the Company entered into a Second Amendment (the *Second Amendment*) by and among the Company, SunGard Holdco LLC, JPMorgan Chase Bank, N.A., as administrative agent and certain lenders (including new incremental term lenders) party thereto to the Credit Agreement dated as of August 11, 2005. The Second Amendment increased the amount of term loan borrowings by the Company under the Credit Agreement by \$500 million (*Incremental Term Loan*) and changed certain terms applicable to the Incremental Term Loan, including the definitions of (i) *Applicable Rate* which was changed for each Incremental Term Loan to be, as of any date of determination, (x) for Eurocurrency Rate Loans, 3.75% per annum, and (y) for Base Rate Loans, 2.75%; (ii) *Base Rate* which was changed for Incremental Term Loans that are Base Rate Loans to 4.00% if the Base Rate, as determined pursuant to the terms of the Credit Agreement, is less than 4.00%; and (iii) *Eurocurrency Rate* which was changed for Incremental Term Loans that are Eurocurrency Rate Loans to 3.00% if the Eurocurrency Rate, as determined pursuant to the terms of the Credit Agreement, is less than 3.00%. The interest rate at September 30, 2008 was 7.75%. The Credit Agreement contains standard covenants and representations and warranties.

Senior Indenture and Senior Notes Due 2015

On September 29, 2008, the Company issued at a \$6 million discount \$500 million aggregate principal amount of 10.625% Senior Notes due 2015 (the *Notes*) that mature on May 15, 2015. The Notes are the Company's senior unsecured obligations and rank equally in right of payment to all of the Company's existing and future senior indebtedness; rank senior in right of payment to all of the Company's existing and future senior subordinated indebtedness and subordinated indebtedness; and are effectively subordinated in right of payment to the Company's secured indebtedness (including obligations under the senior secured credit facilities) to the extent of the value of the assets securing such indebtedness, and are structurally subordinated to all obligations of each of the Company's existing and future subsidiaries that are not guarantors. All obligations under the Notes are fully and unconditionally guaranteed, subject to certain exceptions, by substantially all domestic, 100% wholly owned subsidiaries of the Company.

The Notes are redeemable in whole or in part, at the option of the Company, at any time at varying redemption prices that generally include premiums, which are defined in the indenture. In addition, upon a change of control, the Company is required to make an offer to redeem all of the Notes at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

Table of Contents

The indenture governing the Notes contains a number of covenants that restrict, subject to certain exceptions, the Company's ability and the ability of its restricted subsidiaries to incur additional debt or issue certain preferred shares, pay dividends on or make other distributions in respect of its capital stock or make other restricted payments, make certain investments, enter into certain types of transactions with affiliates, create liens securing certain debt without securing the Notes, sell certain assets, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and designate its subsidiaries as unrestricted subsidiaries.

The Notes contain registration rights by which the Company has agreed to use its reasonable efforts to register with the U.S. Securities & Exchange Commission notes having substantially identical terms. The Company will use its reasonable best efforts to cause the exchange offer to be completed or, if required, to have one or more shelf registration statements declared effective, within 360 days after the issue date of the Notes.

If the Company fails to meet this target (a registration default) with respect to the Notes, the annual interest rate on the Notes will increase by 0.25%. The annual interest rate on the Notes will increase by an additional 0.25% for each subsequent 90-day period during which the registration default continues, up to a maximum additional interest rate of 1.0% per year over the applicable interest rate. If the registration default is corrected or, if it is not corrected, upon the two year anniversary of the issue date of the Notes, the applicable interest rate on such Notes will revert to the original level.

As a result of issuing \$500 million of Notes and amending the Credit Agreement to increase borrowings by \$500 million in September 2008, debt maturities have increased from amounts reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 as follows: \$1 million for 2008, \$5 million for each of the years 2009 through 2012 and \$979 million for 2013 and thereafter.

5. Income Taxes:

The Company's reserve for unrecognized income tax benefits at September 30, 2008 is \$20 million. This liability includes approximately \$3 million (net of federal and state benefit) in accrued interest and penalties. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

At any time some portion of the Company's operations are under audit. The Company is currently under audit by the Internal Revenue Service for the calendar years 2003 through 2006. In addition, various state and foreign jurisdiction tax years remain open to examination. Based on the outcome of these audits, it is reasonably possible that certain matters may be resolved within the next 12 months and the reserve for unrecognized income tax benefits could change. The Company is unable to estimate the range of any possible adjustment at this time.

6. Fair Value Measurements:

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). SFAS 157 clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on inputs used to measure fair value, and expands disclosure about the use of fair value measures. The Company adopted SFAS 157 for financial assets and liabilities on January 1, 2008 with no impact on its financial position or operating results. FASB Staff Position SFAS 157-2, Effective Date of FASB Statement 157, permits the Company to defer recognition and measurement of nonfinancial assets and liabilities measured on a nonrecurring basis until January 1, 2009.

The fair value hierarchy, as defined by SFAS 157, is as follows:

- Level 1 quoted prices in active markets for identical assets or liabilities
- Level 2 quoted prices for similar assets and liabilities in active markets or inputs that are observable
- Level 3 inputs that are unobservable (for example, cash flow modeling inputs based on assumptions)

Table of Contents

The following table summarizes assets and liabilities measured at fair value on a recurring basis at September 30, 2008 (in millions):

	Fair Value Measures Using			Total
	Level 1	Level 2	Level 3	
Assets				
Clearing broker assets - securities owned	\$ 31	\$	\$	\$ 31
Retained interest in accounts receivable sold			237	237
	\$ 31	\$	\$ 237	\$ 268
Liabilities				
Clearing broker liabilities - customer securities sold short, not yet purchased	\$ 5	\$	\$	\$ 5
Interest rate swap agreements		23		23
	\$ 5	\$ 23	\$	\$ 28

Clearing broker assets and liabilities - securities owned and customer securities sold short, not yet purchased are recorded at closing exchange-quoted prices. Retained interest in accounts receivable sold is calculated using a discounted cash flow model using an applicable market interest rate and assumptions based upon collection period. Fair values of the interest rate swap agreements and currency option are based on market prices obtained from brokers. During the three and nine months ended September 30, 2008, the fair value of retained interest in accounts receivable sold decreased \$27 million and \$6 million, respectively, from \$264 million at June 30, 2008 and \$243 million at December 31, 2007 resulting from purchases, issuances and settlements.

7. Comprehensive Income (Loss):

Comprehensive income (loss) consists of net income (loss) adjusted for other increases and decreases affecting stockholder's equity that are excluded from the determination of net income (loss). The calculation of comprehensive income (loss) follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2008	September 30, 2007	September 30, 2008
Net income (loss)	\$ 11	\$ (35)	\$ (90)	\$ (55)
Foreign currency translation gains (losses)	31	(121)	53	(101)
Unrealized gain (loss) on derivative instruments	(15)	(3)	(9)	6
Comprehensive income (loss)	\$ 27	\$ (159)	\$ (46)	\$ (150)

Table of Contents**8. Segment Information:**

The Company has four reportable segments: FS, HE and PS, which together form the Company's Software & Processing Solutions business, and AS. The Company evaluates the performance of its segments based on operating results before interest, income taxes, amortization of acquisition-related intangible assets, stock compensation and certain other costs. The operating results for each segment follow (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2008	2007	2008
Revenue:				
Financial systems	\$ 622	\$ 774	\$ 1,755	\$ 2,171
Higher education	131	128	396	400
Public sector	100	94	299	307
Software & processing solutions	853	996	2,450	2,878
Availability services	369	398	1,063	1,175
	\$ 1,222	\$ 1,394	\$ 3,513	\$ 4,053
Depreciation and amortization:				
Financial systems	\$ 16	\$ 16	\$ 44	\$ 50
Higher education	2	3	6	8
Public sector	2	3	6	7
Software & processing solutions	20	22	56	65
Availability services	43	48	127	142
Corporate administration				
	\$ 63	\$ 70	\$ 183	\$ 207
Income (loss) from operations:				
Financial systems	\$ 124	\$ 138	\$ 341	\$ 388
Higher education	35	31	99	91
Public sector	22	16	62	55
Software & processing solutions	181	185	502	534
Availability services	116	114	303	326
Corporate and other items ⁽¹⁾	(133)	(163)	(393)	(455)
	\$ 164	\$ 136	\$ 412	\$ 405
Cash paid for property and equipment and software:				
Financial systems	\$ 20	\$ 24	\$ 61	\$ 63
Higher education	6	5	14	21
Public sector	4	2	7	6
Software & processing solutions	30	31	82	90
Availability services	31	60	131	190
Corporate administration				
	\$ 61	\$ 91	\$ 213	\$ 280

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- (1) Includes corporate administrative expenses, stock compensation expense, management fees paid to the Sponsors, other items and amortization of acquisition-related intangible assets of \$110 million and \$131 million for the three month periods ended September 30, 2007 and 2008, respectively, and \$319 million and \$361 million for each of the nine month periods ended September 30, 2007 and 2008, respectively.

Table of Contents

Amortization of acquisition-related intangible assets by segment follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2008	2007	2008
Amortization of acquisition-related intangible assets:				
Financial systems	\$ 57	\$ 73 ⁽¹⁾	\$ 172	\$ 200 ⁽¹⁾
Higher education	9	8	26	26
Public sector	10	15 ⁽¹⁾	27	36 ⁽¹⁾
Software & processing solutions	76	96	225	262
Availability services	33	34	92	96
Corporate administration	1	1	2	3
	\$ 110	\$ 131	\$ 319	\$ 361

- (1) Includes approximately \$11 million and \$4 million in impairment charges related to customer base and software for subsidiaries in the FS and PS segments, respectively.

The FS Segment is organized to align with customer-facing business areas. FS revenue by these business areas follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2008	2007	2008
Trading Systems	\$ 132	\$ 239	\$ 310	\$ 557
Banks & Corporations	86	94	240	261
Capital Markets	79	72	223	242
Wealth Management	64	66	187	198
Institutional Asset Management	49	60	157	172
Brokerage & Clearance	42	53	157	171
Employee Administration	40	37	118	124
All other	130	153	363	446
Total Financial Systems	\$ 622	\$ 774	\$ 1,755	\$ 2,171

9. Related Party Transactions:

In accordance with the Management Agreement between the Company and affiliates of the Sponsors, the Company recorded \$6 million and \$4 million of management fees in sales, marketing and administration expenses during the three months ended September 30, 2007 and 2008, respectively. In the nine-month periods ended September 30, 2007 and 2008, the Company recorded \$13 million and \$14 million, respectively, of management fees in sales, marketing and administration expenses. At December 31, 2007 and September 30, 2008, \$4 million and \$5 million, respectively, was included in other accrued expenses.

Table of Contents

10. Subsequent events:

GL TRADE

On October 1, 2008, the Company completed its purchase of approximately 64.5% of GL TRADE S.A., a company organized under the laws of France (GL TRADE) for 41.70 per share (the Block), or approximately \$390 million, pursuant to a share purchase agreement executed on September 19, 2008. In addition, the Company continued to acquire additional shares of GL TRADE by way of market purchases and through a tender offer (the Offer) made at a maximum price of 41.70 per share. As a result of these acquisitions, as of October 31, 2008, the Company owns just over 8 million shares of GL TRADE representing approximately 82% of the share capital and voting rights of GL TRADE.

In the event that the Company owns directly or indirectly at least 95% of the share capital and voting rights of GL TRADE, we will implement a mandatory squeeze-out resulting in the Company holding 100% of the outstanding shares of GL TRADE and in the latter being de-listed.

The Company expects the purchase price of GL TRADE, including transaction costs, to be approximately \$619 million.

Receivables Facility

The lenders under the Company's insured receivables credit agreement, dated August 11, 2005, as amended (the Receivables Facility), are beneficiaries of a financial guaranty insurance policy issued by Financial Guaranty Insurance Company (FGIC). The provisions of the policy permit the lenders to terminate the policy at any time if FGIC has a long term debt rating from either S&P or Moody's that is below BBB+ or Baa1. FGIC's ratings are currently below such thresholds. If the lenders were to elect to terminate the policy in circumstances where the Company was unable to provide a replacement policy acceptable to the lenders, the loans under the Receivables Facility would amortize from receivables collections until paid in full and the Receivables Facility would terminate upon such payment in full.

On July 31, 2008, SunGard Funding LLC and SunGard Financing LLC entered into an agreement and amendment (the Amendment Agreement) with FGIC, JPMorgan Chase Bank, N.A., Citicorp North America, Inc. and Deutsche Bank AG. In the Amendment Agreement, the lenders agreed to not exercise their option to cancel the FGIC policy for a standstill period that would end 14 days after the lenders received a satisfactory audit of the Company's receivables but in no event earlier than September 29, 2008 and no later than October 29, 2008.

On October 29, 2008, SunGard Funding LLC and SunGard Financing LLC entered into an agreement and amendment (the Second Amendment Agreement) with FGIC, JPMorgan Chase Bank, N.A., Citicorp North America, Inc., Deutsche Bank AG, New York Branch, Falcon Asset Securitization LLC, Charta, LLC and Nantucket Funding Corp., LLC. In the Second Amendment Agreement, the lenders extended their agreement to not exercise their option to cancel the FGIC policy for a standstill period (the Extended Standstill Period) that will end on December 19, 2008. In the Second Amendment Agreement, the parties also agreed to (a) during the Extended Standstill Period, negotiate in good faith a restructuring of the Receivables Facility and (b) amend the scheduled early amortization date of the Receivables Facility from August 11, 2011 to December 19, 2008. If a restructuring of the Receivables Facility is not agreed upon by the end of the Extended Standstill Period, the loans under the Receivables Facility will amortize from receivables collections until paid in full and the Receivables Facility will terminate upon such payment in full. Also, on October 29, 2008, pursuant to the terms of the Amendment Agreement, the aggregate limit on the amount of the Receivables Facility was stepped down from a maximum of \$450 million to \$200 million. To the extent that the Company needs to replace the remainder of the borrowings under the Receivables Facility with other indebtedness, the Company expects that it will be able to do so.

11. Supplemental Guarantor Condensed Consolidating Financial Statements:

On August 11, 2005, in connection with the Transaction, the Company issued \$3.0 billion aggregate principal amount of senior notes and senior subordinated notes, \$2.6 billion of which was outstanding at September 30, 2008. On September 29, 2008, the Company issued \$500 million aggregate principal amount of Notes, all of which was outstanding at September 30, 2008. The senior notes and the Notes are jointly and severally, fully and unconditionally guaranteed on a senior unsecured basis and the senior subordinated notes are jointly and severally, fully and unconditionally guaranteed on an unsecured senior subordinated basis, in each case, subject to certain exceptions, by substantially all wholly owned domestic subsidiaries of the Company (collectively, the Guarantors). Each of the Guarantors is 100% owned, directly or indirectly, by the Company. None of the other subsidiaries of the Company, either direct or indirect, guarantee the senior notes and senior subordinated notes (Non-Guarantors). The Guarantors also unconditionally guarantee the senior secured credit facilities.

Table of Contents

The following tables present the financial position, results of operations and cash flows of the Company (Parent), the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries and Eliminations as of December 31, 2007 and September 30, 2008 and for each of the three- and nine-month periods ended September 30, 2007 and 2008, to arrive at the information for SunGard Data Systems Inc. on a consolidated basis.

(in millions)	Supplemental Condensed Consolidating Balance Sheet				
	December 31, 2007				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current:					
Cash and cash equivalents	\$ 39	\$ 2	\$ 386	\$	\$ 427
Intercompany balances	(4,616)	4,628	(12)		
Trade receivables, net	(1)	74	280		353
Prepaid expenses, taxes and other current assets	1,416	98	784	(1,388)	910
Total current assets	(3,162)	4,802	1,438	(1,388)	1,690
Property and equipment, net	1	562	289		852
Intangible assets, net	153	4,420	639		5,212
Intercompany balances	684	(720)	36		
Goodwill		6,120	966		7,086
Investment in subsidiaries	13,205	2,120		(15,325)	
Total Assets	\$ 10,881	\$ 17,304	\$ 3,368	\$ (16,713)	\$ 14,840
Liabilities and Stockholder's Equity					
Current:					
Short-term and current portion of long-term debt	\$ 40	\$ 6	\$ 9	\$	\$ 55
Accounts payable and other current liabilities	264	2,222	1,055	(1,388)	2,153
Total current liabilities	304	2,228	1,064	(1,388)	2,208
Long-term debt	7,049	10	371		7,430
Intercompany debt	(5)	330	(166)	(159)	
Deferred income taxes	(23)	1,531	138		1,646
Total liabilities	7,325	4,099	1,407	(1,547)	11,284
Total stockholder's equity	3,556	13,205	1,961	(15,166)	3,556
Total Liabilities and Stockholder's Equity	\$ 10,881	\$ 17,304	\$ 3,368	\$ (16,713)	\$ 14,840

Table of Contents

(in millions)	Supplemental Condensed Consolidating Balance Sheet				
	September 30, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current:					
Cash and cash equivalents	\$ 583	\$ 1	\$ 1,004	\$	\$ 1,588
Intercompany balances	(5,292)	5,349	(57)		
Trade receivables, net		71	269		340
Prepaid expenses, taxes and other current assets	1,626	96	843	(1,694)	871
Total current assets	(3,083)	5,517	2,059	(1,694)	2,799
Property and equipment, net	1	607	288		896
Intangible assets, net	196	4,199	616		5,011
Intercompany balances	1,240	(720)	(520)		
Goodwill		6,163	936		7,099
Investment in subsidiaries	13,612	2,300		(15,912)	
Total Assets	\$ 11,966	\$ 18,066	\$ 3,379	\$ (17,606)	\$ 15,805
Liabilities and Stockholder's Equity					
Current:					
Short-term and current portion of long-term debt	\$ 294	\$ 10	\$ 7	\$	\$ 311
Accounts payable and other current liabilities	152	2,598	980	(1,694)	2,036
Total current liabilities	446	2,608	987	(1,694)	2,347
Long-term debt	8,118	13	327		8,458
Intercompany debt	(8)	354	(158)	(188)	
Deferred income taxes	(18)	1,479	111		1,572
Total liabilities	8,538	4,454	1,267	(1,882)	12,377
Total stockholder's equity	3,428	13,612	2,112	(15,724)	3,428
Total Liabilities and Stockholder's Equity	\$ 11,966	\$ 18,066	\$ 3,379	\$ (17,606)	\$ 15,805

Table of Contents

(in millions)	Supplemental Condensed Consolidating Schedule of Operations				
	Three Months Ended September 30, 2007				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	\$	\$ 858	\$ 400	\$ (36)	\$ 1,222
Costs and expenses:					
Cost of sales and direct operating		375	242	(36)	581
Sales, marketing and administration	27	125	88		240
Product development		60	4		64
Depreciation and amortization		47	16		63
Amortization of acquisition-related intangible assets	1	84	25		110
	28	691	375	(36)	1,058
Income (loss) from operations	(28)	167	25		164
Net interest income (expense)	(152)	(5)			(157)
Other income (expense)	175	6	(11)	(181)	(11)
Income (loss) before income taxes	(5)	168	14	(181)	(4)
Provision (benefit) for income taxes	(16)	(7)	8		(15)
Net income (loss)	\$ 11	\$ 175	\$ 6	\$ (181)	\$ 11

(in millions)	Supplemental Condensed Consolidating Schedule of Operations				
	Three Months Ended September 30, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	\$	\$ 830	\$ 550	\$ 14	\$ 1,394
Costs and expenses:					
Cost of sales and direct operating		343	371	14	728
Sales, marketing and administration	20	144	81		245
Product development		45	39		84
Depreciation and amortization		51	19		70
Amortization of acquisition-related intangible assets	1	92	38		131
	21	675	548	14	1,258
Income (loss) from operations	(21)	155	2		136
Net interest income (expense)	(137)	(14)	13		(138)
Other income (expense)	60	11	(6)	(89)	(24)
Income (loss) before income taxes	(98)	152	9	(89)	(26)
Provision (benefit) for income taxes	(63)	73	(1)		9
Net income (loss)	\$ (35)	\$ 79	\$ 10	\$ (89)	\$ (35)

Table of Contents

(in millions)	Supplemental Condensed Consolidating Schedule of Operations				
	Nine Months Ended September 30, 2007				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	\$	\$ 2,485	\$ 1,128	\$ (100)	\$ 3,513
Costs and expenses:					
Cost of sales and direct operating		1,121	628	(100)	1,649
Sales, marketing and administration	90	401	257		748
Product development		150	52		202
Depreciation and amortization		134	49		183
Amortization of acquisition-related intangible assets	2	259	58		319
	92	2,065	1,044	(100)	3,101
Income (loss) from operations	(92)	420	84		412
Net interest income (expense)	(463)	(5)	(4)		(472)
Other income (expense)	320	39	(26)	(384)	(51)
Income (loss) before income taxes	(235)	454	54	(384)	(111)
Provision (benefit) for income taxes	(145)	106	18		(21)
Net income (loss)	\$ (90)	\$ 348	\$ 36	\$ (384)	\$ (90)

(in millions)	Supplemental Condensed Consolidating Schedule of Operations				
	Nine Months Ended September 30, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenue	\$	\$ 2,654	\$ 1,505	\$ (106)	\$ 4,053
Costs and expenses:					
Cost of sales and direct operating		1,205	925	(106)	2,024
Sales, marketing and administration	69	448	298		815
Product development		140	101		241
Depreciation and amortization		152	55		207
Amortization of acquisition-related intangible assets	3	278	80		361
	72	2,223	1,459	(106)	3,648
Income (loss) from operations	(72)	431	46		405
Net interest income (expense)	(392)	(5)	(23)		(420)
Other income (expense)	238	(1)	(29)	(257)	(49)
Income (loss) before income taxes	(226)	425	(6)	(257)	(64)
Provision (benefit) for income taxes	(171)	168	(6)		(9)
Net income (loss)	\$ (55)	\$ 257	\$	\$ (257)	\$ (55)

Table of Contents

(in millions)	Supplemental Condensed Consolidating Schedule of Cash Flows Nine Months Ended September 30, 2007				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flow From Operations					
Net income (loss)	\$ (90)	\$ 348	\$ 36	\$ (384)	\$ (90)
Non cash adjustments	(290)	295	100	384	489
Changes in operating assets and liabilities	(727)	660	(3)		(70)
Cash flow provided by (used in) operations	(1,107)	1,303	133		329
Investment Activities					
Intercompany transactions	916	(950)	34		
Cash paid for businesses acquired by the Company, net of cash acquired		(195)	(28)		(223)
Cash paid for property and equipment and software		(138)	(75)		(213)
Other investing activities					