

SUNGARD DATA SYSTEMS INC

Form 10-Q

May 17, 2010

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**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 March 31, 2010**

**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 numbers:**

SunGard Capital Corp. 000-53653  
SunGard Capital Corp. II 000-53654  
SunGard Data Systems Inc. 001-12989

**SunGard® Capital Corp.  
SunGard® Capital Corp. II  
SunGard® Data Systems Inc.**

(Exact name of registrant as specified in its charter)

**Delaware 20-3059890  
Delaware 20-3060101  
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  
(Registrants 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.

SunGard Capital Corp. Yes  No   
SunGard Capital Corp. II Yes  No   
SunGard Data Systems Inc. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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SunGard Capital Corp.	Yes <input type="radio"/> No <input type="radio"/>
SunGard Capital Corp. II	Yes <input type="radio"/> No <input type="radio"/>
SunGard Data Systems Inc.	Yes <input type="radio"/> No <input type="radio"/>

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.

SunGard Capital Corp.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
SunGard Capital Corp. II

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
SunGard Data Systems Inc.

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).

SunGard Capital Corp.	Yes <input type="radio"/> No <input checked="" type="radio"/>
SunGard Capital Corp. II	Yes <input type="radio"/> No <input checked="" type="radio"/>
SunGard Data Systems Inc.	Yes <input type="radio"/> No <input checked="" type="radio"/>

The number of shares of the registrants' common stock outstanding as of March 31, 2010:

SunGard Capital Corp.	255,447,411 shares of Class A common stock and 28,382,978 shares of Class L common stock
SunGard Capital Corp. II	100 shares of common stock
SunGard Data Systems Inc.	100 shares of common stock

**SunGard Capital Corp.**  
**SunGard Capital Corp. II**  
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**Part I. FINANCIAL INFORMATION**

Explanatory Note

This Form 10-Q is a combined quarterly report being filed separately by three registrants: SunGard Capital Corp. ( SCC ), SunGard Capital Corp. II ( SCCII ) and SunGard Data Systems Inc. ( SunGard ). SCC and SCC II are collectively referred to as the Parent Companies . Unless the context indicates otherwise, any reference in this report to the Company, we, us and our refer to the Parent Companies together with their direct and indirect subsidiaries, including SunGard. Each registrant hereto is filing on its own behalf all of the information contained in this quarterly report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

**Table of Contents****Item 1. Financial Statements**

**SunGard Capital Corp.**  
**Consolidated Balance Sheets**  
(In millions except share and per-share amounts)  
(Unaudited)

	December 31, 2009	March 31, 2010
<i>Assets</i>		
Current:		
Cash and cash equivalents	\$ 664	\$ 637
Trade receivables, less allowance for doubtful accounts of \$49 and \$58	955	809
Earned but unbilled receivables	181	192
Prepaid expenses and other current assets	189	161
Clearing broker assets	332	275
Deferred income taxes	22	22
Total current assets	2,343	2,096
Property and equipment, less accumulated depreciation of \$936 and \$977	925	903
Software products, less accumulated amortization of \$1,091 and \$1,120	1,020	965
Customer base, less accumulated amortization of \$954 and \$996	2,294	2,225
Other tangible and intangible assets, less accumulated amortization of \$24 and \$25	195	185
Trade name, less accumulated amortization of \$10 and \$10	1,025	1,024
Goodwill	6,178	6,130
Total Assets	\$ 13,980	\$ 13,528
<i>Liabilities and Equity</i>		
Current:		
Short-term and current portion of long-term debt	\$ 64	\$ 56
Accounts payable	72	64
Accrued compensation and benefits	319	223
Accrued interest expense	146	91
Other accrued expenses	412	371
Clearing broker liabilities	294	238
Deferred revenue	1,040	1,018
Total current liabilities	2,347	2,061
Long-term debt	8,251	8,224
Deferred income taxes	1,318	1,285
Total liabilities	11,916	11,570
Commitments and contingencies		

Noncontrolling interest in preferred stock of SCCII subject to a put option	51	<b>58</b>
Class L common stock subject to a put option	88	<b>90</b>
Class A common stock subject to a put option	11	<b>11</b>
Stockholders' equity:		
Class L common stock, convertible, par value \$.001 per share; cumulative 13.5% per annum, compounded quarterly; aggregate liquidation preference of \$4,151 million and \$4,294 million; 50,000,000 shares authorized, 28,613,930 and 28,631,392 shares issued		
Class A common stock, par value \$.001 per share; 550,000,000 shares authorized, 257,529,758 and 257,686,960 shares issued		
Capital in excess of par value	2,678	<b>2,682</b>
Treasury stock, 248,414 shares of Class L common stock; and 2,239,549 shares of Class A common stock	(27)	<b>(27)</b>
Accumulated deficit	(2,209)	<b>(2,310)</b>
Accumulated other comprehensive income	(121)	<b>(180)</b>
Total SunGard Capital Corp. stockholders' equity	321	<b>165</b>
Noncontrolling interest in preferred stock of SCCII	1,593	<b>1,634</b>
Total equity	1,914	<b>1,799</b>
Total Liabilities and Equity	\$ 13,980	<b>\$ 13,528</b>

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



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**SunGard Capital Corp.**  
**Consolidated Statements of Operations**  
(In millions)  
(Unaudited)

	Three months ended March 31,	
	2009	2010
Revenue:		
Services	\$ 1,247	\$ 1,137
License and resale fees	64	84
Total products and services	1,311	1,221
Reimbursed expenses	24	28
	1,335	1,249
Costs and expenses:		
Cost of sales and direct operating	686	604
Sales, marketing and administration	269	275
Product development	87	96
Depreciation and amortization	69	75
Amortization of acquisition-related intangible assets	124	123
Merger costs		2
	1,235	1,175
Income from operations	100	74
Interest income	1	
Interest expense and amortization of deferred financing fees	(151)	(159)
Other income	7	
Loss before income taxes	(43)	(85)
Benefit from income taxes	9	31
Net loss	(34)	(54)
Income attributable to the noncontrolling interest (including \$1 million and \$6 million in temporary equity)	(42)	(47)
Net loss attributable to SunGard Capital Corp.	\$ (76)	\$ (101)

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

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**SunGard Capital Corp.**  
**Consolidated Statements of Cash Flows**  
(In millions)  
(Unaudited)

	Three months ended March 31,	
	2009	2010
<b><i>Cash flow from operations:</i></b>		
Net loss	\$ (34)	\$ (54)
Reconciliation of net loss to cash flow from operations:		
Depreciation and amortization	193	198
Deferred income tax benefit	(26)	(30)
Stock compensation expense	7	8
Amortization of deferred financing costs and debt discount	10	11
Other noncash items	(7)	1
Accounts receivable and other current assets	(15)	168
Accounts payable and accrued expenses	(171)	(199)
Clearing broker assets and liabilities, net	(20)	1
Deferred revenue	(9)	(25)
Cash flow provided by (used in) operations	(72)	79
<b><i>Investment activities:</i></b>		
Cash paid for acquired businesses, net of cash acquired	(6)	(13)
Cash paid for property and equipment and software	(79)	(76)
Other investing activities	(5)	8
Cash used in investment activities	(90)	(81)
<b><i>Financing activities:</i></b>		
Cash received from issuance of common stock		1
Cash received from other borrowings, net of fees	240	3
Cash used to repay debt	(555)	(22)
Other financing activities	(1)	
Cash used in financing activities	(316)	(18)
Effect of exchange rate changes on cash	(6)	(7)
Decrease in cash and cash equivalents	(484)	(27)
Beginning cash and cash equivalents	975	664
Ending cash and cash equivalents	\$ 491	\$ 637

**Supplemental information:**

Acquired businesses:			
Property and equipment	\$	\$	<b>2</b>
Software products		5	<b>3</b>
Customer base		2	<b>10</b>
Goodwill		2	<b>2</b>
Other tangible and intangible assets			<b>3</b>
Deferred income taxes			<b>(2)</b>
Purchase price obligations and debt assumed			<b>(1)</b>
Net current liabilities assumed		(3)	<b>(4)</b>
Cash paid for acquired businesses, net of cash acquired of \$- and \$1, respectively	\$	6	\$ <b>13</b>

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

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**SunGard Capital Corp. II**  
**Consolidated Balance Sheets**  
(In millions except share and per-share amounts)  
(Unaudited)

	December 31, 2009	March 31, 2010
<b>Assets</b>		
Current:		
Cash and cash equivalents	\$ 664	\$ 637
Trade receivables, less allowance for doubtful accounts of \$49 and \$58	955	809
Earned but unbilled receivables	181	192
Prepaid expenses and other current assets	189	161
Clearing broker assets	332	275
Deferred income taxes	22	22
<b>Total current assets</b>	<b>2,343</b>	<b>2,096</b>
Property and equipment, less accumulated depreciation of \$936 and \$977	925	903
Software products, less accumulated amortization of \$1,091 and \$1,120	1,020	965
Customer base, less accumulated amortization of \$954 and \$996	2,294	2,225
Other tangible and intangible assets, less accumulated amortization of \$24 and \$25	195	185
Trade name, less accumulated amortization of \$10 and \$10	1,025	1,024
Goodwill	6,178	6,130
<b>Total Assets</b>	<b>\$ 13,980</b>	<b>\$ 13,528</b>
<b>Liabilities and Stockholders Equity</b>		
Current:		
Short-term and current portion of long-term debt	\$ 64	\$ 56
Accounts payable	72	64
Accrued compensation and benefits	319	223
Accrued interest expense	146	91
Other accrued expenses	412	371
Clearing broker liabilities	294	238
Deferred revenue	1,040	1,018
<b>Total current liabilities</b>	<b>2,347</b>	<b>2,061</b>
Long-term debt	8,251	8,224
Deferred income taxes	1,318	1,285
<b>Total liabilities</b>	<b>11,916</b>	<b>11,570</b>
Commitments and contingencies		

Preferred stock subject to a put option	38	<b>39</b>
Stockholders' equity:		
Preferred stock, par value \$.001 per share; cumulative 11.5% per annum, compounded quarterly; aggregate liquidation preference of \$1,627 million and \$1,675 million; 14,999,000 shares authorized, 9,904,863 and 9,910,909 issued		
Common stock, par value \$.001 per share; 1,000 shares authorized, 100 shares issued and outstanding		
Capital in excess of par value	3,724	<b>3,730</b>
Treasury stock, 86,008 shares	(10)	<b>(10)</b>
Accumulated deficit	(1,567)	<b>(1,621)</b>
Accumulated other comprehensive income	(121)	<b>(180)</b>
Total stockholders' equity	2,026	<b>1,919</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 13,980</b>	<b>\$ 13,528</b>

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

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**SunGard Capital Corp. II**  
**Consolidated Statements of Operations**  
(In millions)  
(Unaudited)

	Three months ended March 31,	
	2009	<b>2010</b>
Revenue:		
Services	\$ 1,247	\$ <b>1,137</b>
License and resale fees	64	<b>84</b>
Total products and services	1,311	<b>1,221</b>
Reimbursed expenses	24	<b>28</b>
	1,335	<b>1,249</b>
Costs and expenses:		
Cost of sales and direct operating	686	<b>604</b>
Sales, marketing and administration	269	<b>275</b>
Product development	87	<b>96</b>
Depreciation and amortization	69	<b>75</b>
Amortization of acquisition-related intangible assets	124	<b>123</b>
Merger costs		<b>2</b>
	1,235	<b>1,175</b>
Income from operations	100	<b>74</b>
Interest income	1	
Interest expense and amortization of deferred financing fees	(151)	<b>(159)</b>
Other income	7	
Loss before income taxes	(43)	<b>(85)</b>
Benefit from income taxes	9	<b>31</b>
Net loss	\$ (34)	\$ <b>(54)</b>

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

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**SunGard Capital Corp. II**  
**Consolidated Statements of Cash Flows**  
(In millions)  
(Unaudited)

<i>(in millions)</i>	Three months ended March 31,	
	2009	2010
<b><i>Cash flow from operations:</i></b>		
Net loss	\$ (34)	\$ (54)
Reconciliation of net loss to cash flow from operations:		
Depreciation and amortization	193	198
Deferred income tax benefit	(26)	(30)
Stock compensation expense	7	8
Amortization of deferred financing costs and debt discount	10	11
Other noncash items	(7)	1
Accounts receivable and other current assets	(15)	168
Accounts payable and accrued expenses	(170)	(198)
Clearing broker assets and liabilities, net	(20)	1
Deferred revenue	(9)	(25)
 Cash flow provided by (used in) operations	 (71)	 80
 <b><i>Investment activities:</i></b>		
Cash paid for acquired businesses, net of cash acquired	(6)	(13)
Cash paid for property and equipment and software	(79)	(76)
Other investing activities	(5)	8
 Cash used in investment activities	 (90)	 (81)
 <b><i>Financing activities:</i></b>		
Cash received from other borrowings, net of fees	240	3
Cash used to repay debt	(555)	(22)
Other financing activities	(2)	
 Cash used in financing activities	 (317)	 (19)
 Effect of exchange rate changes on cash	 (6)	 (7)
 Decrease in cash and cash equivalents	 (484)	 (27)
Beginning cash and cash equivalents	975	664
 Ending cash and cash equivalents	 \$ 491	 \$ 637

***Supplemental information:***

Acquired businesses:			
Property and equipment	\$	\$	<b>2</b>
Software products		5	<b>3</b>
Customer base		2	<b>10</b>
Goodwill		2	<b>2</b>
Other tangible and intangible assets			<b>3</b>
Deferred income taxes			<b>(2)</b>
Purchase price obligations and debt assumed			<b>(1)</b>
Net current liabilities assumed		(3)	<b>(4)</b>
Cash paid for acquired businesses, net of cash acquired of \$- and \$1, respectively	\$	6	\$ <b>13</b>

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



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**SunGard Data Systems Inc.**  
**Consolidated Balance Sheets**  
(In millions except share and per-share amounts)  
(Unaudited)

	December 31, 2009	March 31, 2010
<b>Assets</b>		
Current:		
Cash and cash equivalents	\$ 664	\$ 637
Trade receivables, less allowance for doubtful accounts of \$49 and \$58	955	809
Earned but unbilled receivables	181	192
Prepaid expenses and other current assets	189	161
Clearing broker assets	332	275
Deferred income taxes	22	22
<b>Total current assets</b>	<b>2,343</b>	<b>2,096</b>
Property and equipment, less accumulated depreciation of \$936 and \$977	925	903
Software products, less accumulated amortization of \$1,091 and \$1,120	1,020	965
Customer base, less accumulated amortization of \$954 and \$996	2,294	2,225
Other tangible and intangible assets, less accumulated amortization of \$24 and \$25	195	185
Trade name, less accumulated amortization of \$10 and \$10	1,025	1,024
Goodwill	6,178	6,130
<b>Total Assets</b>	<b>\$ 13,980</b>	<b>\$ 13,528</b>
<b>Liabilities and Stockholder's Equity</b>		
Current:		
Short-term and current portion of long-term debt	\$ 64	\$ 56
Accounts payable	72	64
Accrued compensation and benefits	319	223
Accrued interest expense	146	91
Other accrued expenses	413	371
Clearing broker liabilities	294	238
Deferred revenue	1,040	1,018
<b>Total current liabilities</b>	<b>2,348</b>	<b>2,061</b>
Long-term debt	8,251	8,224
Deferred income taxes	1,314	1,281
<b>Total liabilities</b>	<b>11,913</b>	<b>11,566</b>

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	3,755		<b>3,763</b>
Accumulated deficit	(1,567)		<b>(1,621)</b>
Accumulated other comprehensive income	(121)		<b>(180)</b>
Total stockholder's equity	2,067		<b>1,962</b>
<b>Total Liabilities and Stockholder's Equity</b>	\$ 13,980	\$	<b>13,528</b>

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

	Three Months Ended March 31,	
	2009	2010
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Other income	7	
Loss before income taxes	(43)	(85)
Benefit from income taxes	9	31
Net loss	\$ (34)	\$ (54)

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

	Three months ended March 31,	
	2009	2010
<b><i>Cash flow from operations:</i></b>		
Net loss	\$ (34)	\$ (54)
Reconciliation of net loss to cash flow from operations:		
Depreciation and amortization	193	198
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Amortization of deferred financing costs and debt discount	10	11
Other noncash items	(7)	1
Accounts receivable and other current assets	(15)	168
Accounts payable and accrued expenses	(171)	(198)
Clearing broker assets and liabilities, net	(20)	1
Deferred revenue	(9)	(25)
Cash flow provided by (used in) operations	(72)	80
<b><i>Investment activities:</i></b>		
Cash paid for acquired businesses, net of cash acquired	(6)	(13)
Cash paid for property and equipment and software	(79)	(76)
Other investing activities	(5)	8
Cash used in investment activities	(90)	(81)
<b><i>Financing activities:</i></b>		
Cash received from other borrowings, net of fees	240	3
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Other financing activities	(1)	
Cash used in financing activities	(316)	(19)
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Decrease in cash and cash equivalents	(484)	(27)
Beginning cash and cash equivalents	975	664
Ending cash and cash equivalents	\$ 491	\$ 637

***Supplemental information:***

Acquired businesses:			
Property and equipment	\$	\$	<b>2</b>
Software products		5	<b>3</b>
Customer base		2	<b>10</b>
Goodwill		2	<b>2</b>
Other tangible and intangible assets			<b>3</b>
Deferred income taxes			<b>(2)</b>
Purchase price obligations and debt assumed			<b>(1)</b>
Net current liabilities assumed		(3)	<b>(4)</b>
Cash paid for acquired businesses, net of cash acquired of \$- and \$1, respectively	\$	6	\$ <b>13</b>

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

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**SUNGARD CAPITAL CORP.  
SUNGARD CAPITAL CORP. II  
SUNGARD DATA SYSTEMS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of Presentation:**

SunGard Data Systems Inc. ( SunGard ) was acquired on August 11, 2005 (the Transaction ) in a leveraged buy-out 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 ( SCCII ), which is a subsidiary of SunGard Capital Corp. ( SCC ). All four of these companies were formed for the purpose of facilitating the Transaction and are collectively referred to as the Holding Companies. SCC, SCCII and SunGard are separate reporting companies and, together with their direct and indirect subsidiaries, are collectively referred to as the Company .

The Company has four reportable segments: Financial Systems ( FS ), Higher Education ( HE ), Public Sector ( PS ) and Availability Services ( AS ). 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 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, 2009. Interim financial reporting does not include all of the information and footnotes required by GAAP for annual financial statements. The interim financial information is unaudited, but, in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments 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, 2010.

The presentation of certain prior year amounts has been revised to conform to the current year presentation.

**Recent Accounting Pronouncements**

The Financial Accounting Standard Board issued new revenue recognition guidance for arrangements with multiple deliverables. The new guidance, whose scope excludes software revenue recognition, modifies the fair value requirements for revenue recognition by providing best estimate of selling price in addition to vendor specific objective evidence, or VSOE , and vendor objective evidence, now referred to as third-party evidence, or TPE , for determining the selling price of a deliverable. Since the Company will be able to use an estimate of the selling price for the deliverables in an arrangement, all deliverables will be separate units of accounting, provided (a) a delivered item has value to the customer on a standalone basis, and (b) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in the control of the Company. As a result of the requirement to use the best estimate of the selling price when VSOE or TPE of the selling price cannot be determined, the residual method is no longer permitted. The new guidance is effective for fiscal years beginning on or after June 15, 2010. The Company is currently evaluating the impact of this revenue guidance, but does not expect the guidance to have a material impact on the consolidated financial statements.

**Table of Contents****2. Goodwill:**

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

	Cost					Accumulated Impairment			
	FS	HE	PS	AS	Subtotal	PS	AS	Subtotal	Total
Balance at December 31, 2009	\$ 3,457	\$ 950	\$ 814	\$ 2,211	\$ 7,432	\$ (128)	\$ (1,126)	\$ (1,254)	\$ 6,178
2010 acquisitions	2			1	3				3
Adjustments related to the Transaction and prior year acquisitions				(1)	(1)				(1)
Effect of foreign currency translation	(31)		(9)	(10)	(50)				(50)
Balance at March 31, 2010	\$ 3,428	\$ 950	\$ 805	\$ 2,201	\$ 7,384	\$ (128)	\$ (1,126)	\$ (1,254)	\$ 6,130

**3. Clearing Broker Assets and Liabilities:**

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

	December 31, 2009	March 31, 2010
Segregated customer cash and treasury bills	\$ 153	\$ 39
Securities owned	40	86
Securities borrowed	116	130
Receivables from customers and other	23	20
Clearing broker assets	\$ 332	\$ 275
Payables to customers	\$ 163	\$ 63
Securities loaned	95	102
Customer securities sold short, not yet purchased	9	14
Payable to brokers and dealers	27	59
Clearing broker liabilities	\$ 294	\$ 238

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. Derivatives:**

The Company uses interest rate swap agreements to manage the amount of its floating rate debt in order to reduce its exposure to variable rate interest payments associated with the senior secured credit facilities. Each of these swap agreements is designated as a cash flow hedge. SunGard pays a stream of fixed interest payments for the term of the swap, and in turn, receives variable interest payments based on LIBOR. The net receipt or payment from the interest rate swap agreements is included in interest expense. The Company does not enter into interest rate swaps for speculative or trading purposes. A summary of the Company's interest rate swaps follows:





**Table of Contents**

<b>Inception</b>	<b>Maturity</b>	<b>Notional Amount (in millions)</b>	<b>Interest rate paid</b>	<b>Interest rate received (LIBOR)</b>
February 2006	February 2011	\$ 800	5.00%	3-Month
January 2008	February 2011	\$ 750	3.17%	3-Month
January/February 2009	February 2012	\$ 1,200	1.78%	1-Month
January/February 2010	May 2013	\$ 500	1.99%	3-Month
Total / Weighted Average interest rate		\$ 3,250	2.93%	

The fair values of interest rate swaps designated as cash flow hedging instruments, included in other accrued expenses on the consolidated balance sheets, are \$70 million and \$69 million as of December 31, 2009 and March 31, 2010, respectively.

The table below summarizes the impact of the effective portion of interest rate swaps on the balance sheets and statements of operations for the three months ended March 31, 2009 and 2010 (in millions):

	Three months ended March 31,		Classification
	2009	2010	
Gain (loss) recognized in Accumulated Other Comprehensive Loss (OCI)	\$ (4)	\$ 2	OCI
Gain (loss) reclassified from accumulated OCI into income	(15)	(22)	Interest expense and amortization of deferred financing fees

The Company has no ineffectiveness related to its swap agreements.

The Company expects to reclassify in the next twelve months approximately \$79 million from OCI into earnings related to the Company's interest rate swaps based on the borrowing rates at March 31, 2010.

**5. Fair Value Measurements:**

The following table summarizes assets and liabilities measured at fair value on a recurring basis at March 31, 2010 (in millions):

	Fair Value Measures Using			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Cash and cash equivalents money market funds	\$ 156	\$	\$	\$ 156
Clearing broker assets treasury bills		35		35
Clearing broker assets securities owned		86		86
	\$ 277	\$	\$	\$ 277

**Liabilities**

Clearing broker liabilities – customer securities sold short, not yet purchased	\$	14	\$		\$	\$	14
Interest rate swap agreements and other				67			67
	\$	14	\$	67	\$	\$	81

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The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31, 2009 (in millions):

	Fair Value Measures Using			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Cash and cash equivalents money market funds	\$ 168	\$	\$	\$ 168
Clearing broker assets U.S. treasury bills	151			151
Clearing broker assets securities owned	40			40
	\$ 359	\$	\$	\$ 359
<b>Liabilities</b>				
Clearing broker liabilities customer securities sold short, not yet purchased	\$ 9	\$	\$	\$ 9
Interest rate swap agreements		70		70
	\$ 9	\$ 70	\$	\$ 79

A Level 1 fair value measure is based upon quoted prices in active markets for identical assets or liabilities. A Level 2 fair value measure is based upon quoted prices for similar assets and liabilities in active markets or inputs that are observable. A Level 3 fair value measure is based upon inputs that are unobservable (for example, cash flow modeling inputs based on assumptions).

Cash and cash equivalents money market funds and Clearing broker assets U.S. treasury bills are recognized and measured at fair value in the Company's financial statements. Clearing broker assets and liabilities securities owned and customer securities sold short, not yet purchased are recorded at closing exchange-quoted prices. Fair values of the interest rate swap agreements are calculated using a discounted cash flow model using observable applicable market swap rates and assumptions and are compared to market valuations obtained from brokers.

The following table presents the carrying amount and estimated fair value of the Company's debt, including current portion and excluding the interest rate swaps, as of December 31, 2009 and March 31, 2010 (in millions):

	December 31, 2009		March 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Floating rate debt	\$ 4,967	\$ 4,815	\$ 4,937	\$ 4,879
Fixed rate debt	3,348	3,507	3,343	3,476

The fair value of the Company's floating rate and fixed rate long-term debt is primarily based on market rates.

**6. 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 March 31,	
	2009	2010
Net loss	\$ (34)	\$ (54)
Foreign currency translation losses	(87)	(61)

Unrealized gains (losses) on derivative instruments

(4)

**2**