

SUNGARD DATA SYSTEMS INC  
Form 10-Q  
August 09, 2006  
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**United States**  
**Securities and Exchange Commission**  
**Washington, D.C. 20549**

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**FORM 10-Q**

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(Mark One)

- Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended June 30, 2006

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

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**SunGard<sup>®</sup> Data Systems Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of

incorporation or organization)

**680 East Swedesford Road, Wayne, Pennsylvania 19087**

**51-0267091**  
(IRS Employer

Identification No.)

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(Address of principal executive offices, including zip code)

484-582-2000

(Registrant's telephone number, including area code)

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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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer   
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 June 30, 2006.

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**AND SUBSIDIARIES**

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**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)**

	Successor December 31, 2005	June 30, 2006 (unaudited)
<b>Assets</b>		
Current:		
Cash and cash equivalents	\$ 317	\$ 260
Trade receivables, less allowance for doubtful accounts of \$9 and \$12	190	177
Earned but unbilled receivables	38	46
Prepaid expenses and other current assets	166	157
Clearing broker assets	391	408
Retained interest in accounts receivable sold	224	270
Deferred income taxes	40	45
<b>Total current assets</b>	<b>1,366</b>	<b>1,363</b>
Property and equipment, less accumulated depreciation of \$72 and \$188	705	731
Software products, less accumulated amortization of \$83 and \$191	1,528	1,405
Customer base, less accumulated amortization of \$68 and \$168	2,817	2,902
Other tangible and intangible assets, less accumulated amortization of \$3 and \$8	248	268
Trade name	1,019	1,019
Goodwill	6,904	6,935
<b>Total Assets</b>	<b>\$ 14,587</b>	<b>\$ 14,623</b>
<b>Liabilities and Stockholder's Equity</b>		
Current:		
Short-term and current portion of long-term debt	\$ 46	\$ 44
Accounts payable	67	54
Accrued compensation and benefits	218	157
Accrued interest expense	161	163
Other accrued expenses	282	262
Clearing broker liabilities	360	375
Deferred revenue	695	736
<b>Total current liabilities</b>	<b>1,829</b>	<b>1,791</b>
Long-term debt	7,383	7,392
Deferred income taxes	1,803	1,863
<b>Total liabilities</b>	<b>11,015</b>	<b>11,046</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	3,629	3,650

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Notes receivable for common stock		(6)
Accumulated deficit	(29)	(105)
Accumulated other comprehensive income (loss)	(28)	38
Total stockholder's equity	3,572	3,577
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$ 14,587</b>	<b>\$ 14,623</b>

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

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

	Predecessor Six Months Ended June 30, 2005	Successor Six Months Ended June 30, 2006	Predecessor Three Months Ended June 30, 2005	Successor Three Months Ended June 30, 2006
<b>Revenue:</b>				
Services	\$ 1,737	\$ 1,879	\$ 897	\$ 956
License and resale fees	162	133	80	80
Total products and services	1,899	2,012	977	1,036
Reimbursed expenses	55	55	30	28
	1,954	2,067	1,007	1,064
<b>Costs and expenses:</b>				
Cost of sales and direct operating	914	967	471	495
Sales, marketing and administration	380	444	186	221
Product development	125	128	65	64
Depreciation and amortization	115	115	59	58
Amortization of acquisition-related intangible assets	69	198	35	102
Merger costs and other	18	3	14	1
	1,621	1,855	830	941
Income from operations	333	212	177	123
Interest income	6	6	3	3
Interest expense and amortization of deferred financing fees	(14)	(318)	(7)	(161)
Other income (expense)		(18)		(6)
Income (loss) before income taxes	325	(118)	173	(41)
Provision (benefit) for income taxes	137	(42)	75	(11)
Net income (loss)	\$ 188	\$ (76)	\$ 98	\$ (30)

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

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

	<b>Predecessor Six Months Ended June 30, 2005</b>	<b>Successor Six Months Ended June 30, 2006</b>
<b><i>Cash flow from operations:</i></b>		
Net income (loss)	\$ 188	\$ (76)
Reconciliation of net income (loss) to cash flow from operations:		
Depreciation and amortization	184	313
Deferred income tax benefit	(4)	(64)
Stock compensation expense		16
Amortization of deferred financing costs and debt discount		16
Other noncash credits	(15)	(22)
Accounts receivable and other current assets	1	(7)
Accounts payable and accrued expenses	22	(94)
Clearing broker assets and liabilities, net	(3)	(3)
Deferred revenue	19	40
<b>Cash flow from operations</b>	<b>392</b>	<b>119</b>
<b><i>Investment activities:</i></b>		
Cash paid for businesses acquired by the Company, net of cash acquired	(418)	(17)
Cash paid for property and equipment and software	(123)	(144)
Other investing activities	2	(4)
<b>Cash used in investment activities</b>	<b>(539)</b>	<b>(165)</b>
<b><i>Financing activities:</i></b>		
Cash used to repay debt	(55)	(27)
Cash received from stock option and award plans	53	
<b>Cash used in financing activities</b>	<b>(2)</b>	<b>(27)</b>
<b>Effect of exchange rate changes on cash</b>		<b>16</b>
Decrease in cash and cash equivalents	(149)	(57)
Beginning cash and cash equivalents	675	317
<b>Ending cash and cash equivalents</b>	<b>\$ 526</b>	<b>\$ 260</b>

**Supplemental information:**

Acquired businesses:

Property and equipment	\$	65	\$	
Software products		56		4
Customer base		160		9
Goodwill		227		3
Other tangible and intangible assets		3		2
Deferred income taxes		(53)		(2)
Purchase price obligations and debt assumed		(21)		(1)
Net current (liabilities) assets assumed		(19)		2
Cash paid for acquired businesses, net of cash acquired of \$31 and \$2, respectively	\$	418	\$	17

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



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**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 ) 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 Partners and Texas Pacific Group (collectively, the Sponsors ). The Transaction was accomplished through the merger of Solar Capital Corp. into SunGard with SunGard being the surviving company.

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 wholly owned by SunGard Capital Corp. All four of these companies were formed for the purpose of facilitating the Transaction and are collectively referred to as the Holding Companies.

Although SunGard continued as the same legal entity after the Transaction, the accompanying consolidated statements of operations and cash flows are presented for two periods: Predecessor and Successor, which relate to the period preceding the Transaction and the period succeeding the Transaction, respectively. The Company refers to the operations of SunGard and subsidiaries for both the Predecessor and Successor periods.

SunGard has three segments: Financial Systems ( FS ), Higher Education and Public Sector Systems ( HEPS ) and Availability Services ( AS ). The Company s Software & Processing Solutions business is comprised of the FS and HEPS 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 Successor s Annual Report on Form 10-K for the year ended December 31, 2005. 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, 2006.

**Effect of Recent Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board ( FASB ) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes ( FIN 48 ). FIN 48 prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on other topics related to accounting for income tax assets and liabilities, interest and penalties associated with tax positions and income taxes in interim periods as well as income tax disclosures. This Interpretation is effective as of January 1, 2007. The Company is currently evaluating FIN 48 and the related impact on the Company s financial position and results of operations.

**2. Acquisitions and Dispositions**

**Acquisition of SunGard**

As discussed in Note 1, the Transaction was completed on August 11, 2005 and was financed by a combination of borrowings under the Company s new senior secured credit facilities, the issuance of senior notes due 2013 and senior subordinated notes due 2015, the funding under the Company s new receivables facilities, and the equity investment of the Sponsors, co-investors and management.

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The purchase price, including transaction costs that have been allocated as debt issuance costs or included in the overall purchase price, was approximately \$11.73 billion. Under business combination accounting, the total purchase price was allocated to the Company's net tangible and identifiable intangible assets based on their estimated fair values as of August 11, 2005. The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill. The allocation of the purchase price for property and equipment, intangible assets and deferred income taxes was based upon valuation data and our estimates and assumptions, and is substantially complete.

The estimated amortization expense for each of the years 2006 to 2010 has been updated primarily to reflect changes in the purchase price allocation for the Transaction. Based on amounts recorded at June 30, 2006, total estimated amortization of all acquisition-related intangible assets for the year ended December 31, 2006 and for each of the years ended December 31, 2007 to 2010 follows (in millions):

2006	\$ 392
2007	384
2008	379
2009	375
2010	368

**Acquisitions by the Company**

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 six months ended June 30, 2006, the Company completed two acquisitions in its FS segment. Gross cash paid, subject to certain adjustments, was \$19 million.

**The following table lists the businesses the Company acquired since January 1, 2006:**

	Date	Description
Acquired Company/Business	Acquired	Description
Dataware Solutions, Inc.	3/14/2006	Employee compliance solutions for financial institutions.
Armonys	4/28/2006	Consulting and IT professional services to financial institutions in France.

**Goodwill**

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

	FS	HEPS	AS	Total
Balance at December 31, 2005	\$ 3,104	\$ 1,794	\$ 2,006	\$ 6,904
2006 acquisitions	10			10
Adjustments related to the Transaction	13	(8)	(25)	(20)
Effect of foreign currency translation	10	6	25	41
Balance at June 30, 2006	\$ 3,137	\$ 1,792	\$ 2,006	\$ 6,935

**3. Stock-Based Compensation:**

Statement of Financial Accounting Standards ( SFAS ) Number 123R (revised 2004), Share-Based Payment ( SFAS 123R ), supersedes Accounting Principles Board Opinion Number 25 ( APB 25 ) and requires companies to expense the fair value of employee stock options over the employee requisite service period. The Company adopted SFAS



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123R as of the date of closing the Transaction using the modified prospective method, which requires companies to record stock compensation expense for all unvested and new awards as of the adoption date. Accordingly, prior period amounts presented herein have not been restated. Under the fair value recognition provisions of SFAS 123R, stock-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 period. The Company recorded as a component of sales, marketing and administration expense non-cash stock compensation of \$9 million and \$16 million for the three- and six-month periods ended June 30, 2006, respectively.

Prior to the closing of the Transaction, the Company applied APB 25 in accounting for its stock option and award plans and the pro forma disclosure requirements of SFAS Number 123, Accounting for Stock-Based Compensation (SFAS 123). Had the Company adopted the full provisions of SFAS 123, stock compensation expense of \$15 million and \$33 million, each net of tax, would have been recorded in the three- and six-month periods ended June 30, 2005, respectively, and the resulting pro forma net income would have been \$84 million and \$155 million.

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

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

	Successor	
	December 31, 2005	June 30, 2006
Segregated customer cash and treasury bills	\$ 42	\$ 37
Securities owned	36	32
Securities borrowed	261	278
Receivables from customers and other	52	61
<b>Clearing broker assets</b>	<b>\$ 391</b>	<b>\$ 408</b>
Payables to customers	\$ 60	\$ 58
Securities loaned	272	281
Customer securities sold short, not yet purchased	16	22
Payable to brokers and dealers	12	14
<b>Clearing broker liabilities</b>	<b>\$ 360</b>	<b>\$ 375</b>

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. 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.

**5. Debt and Derivative Instruments:**

Effective January 1, 2006, the Company adopted the provisions of technical interpretations issued by the FASB Derivatives Implementation Group (DIG) in June 2005 (commonly known as DIG Issues B38 and B39). These interpretations outline circumstances in which a put or call option embedded in debt instruments need to be separated from the debt instrument and separately valued. As of June 30, 2006, the fair value of the put option in the Company's senior notes due 2013 and senior subordinated notes due 2015 was determined to be immaterial.

In February 2006, the Company entered into its second interest rate swap for a notional amount of \$800 million. The term of the swap agreement is five years and the Company is required to pay a stream of fixed interest payments of 5.00% and, in turn, receives variable interest payments based on LIBOR (5.16% at June 30, 2006). This swap increased the hedged portion of the Company's \$4.5 billion floating rate debt to \$1.6 billion. Both interest rate swaps are designated and qualify as cash flow hedges under SFAS 133, Accounting for Derivative Instruments and Hedging Activities. As of

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June 30, 2006, the Company recorded a cumulative unrealized gain of \$18 (net of tax of \$12) in Other Comprehensive Income related to the change in the market value on the swaps, which may be recognized in the statement of operations if certain terms of the senior secured credit facility change, if the loan is extinguished or if the swap agreements are terminated prior to maturity.

**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):

	Predecessor Six Months Ended June 30, 2005	Successor Six Months Ended June 30, 2006	Predecessor Three Months Ended June 30, 2005	Successor Three Months Ended June 30, 2006
Net income (loss)	\$ 188	\$ (76)	\$ 98	\$ (30)
Foreign currency translation gains (losses)	(74)	48	(55)	44
Unrealized gain on derivative instruments		18		9
Comprehensive income (loss)	\$ 114	\$ (10)	\$ 43	\$ 23

**Table of Contents****7. Segment Information:**

The Company has three segments: FS and HEPS, which together form the Company's Software & Processing Solutions business, and AS. The operating results for each segment follow (in millions):

	Predecessor Six Months Ended June 30, 2005	Successor Six Months Ended June 30, 2006	Predecessor Three Months Ended June 30, 2005	Successor Three Months Ended June 30, 2006
<b>Revenue:</b>				
Financial systems	\$ 927	\$ 977	\$ 471	\$ 500
Higher education and public sector systems	388	423	214	227
Software & processing solutions	1,315	1,400	685	727
Availability services	639	667	322	337
	\$ 1,954	\$ 2,067	\$ 1,007	\$ 1,064
<b>Income (loss) from operations:</b>				
Financial systems	\$ 159	\$ 82	\$ 80	\$ 48
Higher education and public sector systems	66	57	39	35
Software & processing solutions	225	139	119	83
Availability services	159	126	89	65
Corporate administration	(33)	(50)	(17)	(24)
Merger and other costs	(18)	(3)	(14)	(1)
	\$ 333	\$ 212	\$ 177	\$ 123
<b>Depreciation and amortization:</b>				
Financial systems	\$ 32	\$ 26	\$ 16	\$ 13
Higher education and public sector systems	7	7	4	3
Software & processing solutions	39	33	20	16
Availability services	76	82	39	42
Corporate administration				
	\$ 115	\$ 115	\$ 59	\$ 58
<b>Amortization of acquisition-related intangible assets:</b>				
Financial systems	\$ 32	\$ 103	\$ 16	\$ 51
Higher education and public sector systems	24	36	13	21
Software & processing solutions	56	139	29	72
Availability services	13	58	6	29

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Corporate administration		1		1
	\$ 69	\$ 198	\$ 35	\$ 102
Cash paid for property and equipment and software:				
Financial systems	\$ 32	\$ 38	\$ 17	\$ 21
Higher education and public sector systems	12	8	7	4
Software & processing solutions	44	46	24	25
Availability services	79	98	43	41
Corporate administration				
	\$ 123	\$ 144	\$ 67	\$ 66

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**8. Related Party Transactions:**

During the three- and six-month periods ended June 30, 2006, in accordance with the Management Agreement between the Company and the Sponsors, the Company recorded \$3 million and \$7 million, respectively, of management fees, in sales, marketing and administration expenses in the statement of operations. At June 30, 2006, \$3 million was included in other accrued expenses on the balance sheet.

**9. 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 the outstanding senior notes and the outstanding senior subordinated notes. The senior notes are jointly and severally and unconditionally guaranteed on a senior unsecured basis and the senior subordinated notes are jointly and severally 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 ). All other subsidiaries of the Company, either direct or indirect, do not guarantee the senior notes and senior subordinated notes ( Non-Guarantors ). The Guarantors also unconditionally guarantee the senior secured credit facilities.

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, 2005 and June 30, 2006 and for each of the six- and three-month periods ended June 30, 2005 and 2006, to arrive at the information for SunGard Data Systems Inc. on a consolidated basis.



**Table of Contents****Supplemental Condensed Consolidating Balance Sheet**

(in millions)	Parent Company	Guarantor Subsidiaries	(Successor) June 30, 2006 Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>					
Current:					
Cash and cash equivalents	\$ 29	\$ (1)	\$ 232	\$	\$ 260
Intercompany balances	(1,770)	1,734	36		
Trade receivables, net		28	195		223
Prepaid expenses, taxes and other current assets	338	101	771	(330)	880
<b>Total current assets</b>	<b>(1,403)</b>	<b>1,862</b>	<b>1,234</b>	<b>(330)</b>	<b>1,363</b>
Property and equipment, net	1	505	225		731
Intangible assets, net	232	4,859	503		5,594
Intercompany balances	(758)	733	25		
Goodwill		6,247	688		6,935
Investment in subsidiaries	12,819	1,589		(14,408)	
<b>Total Assets</b>	<b>\$ 10,891</b>	<b>\$ 15,795</b>	<b>\$ 2,675</b>	<b>\$ (14,738)</b>	<b>\$ 14,623</b>
<b>Liabilities and Stockholder's Equity</b>					
Current:					
Short-term and current portion of long-term debt	\$ 37	\$ 2	\$ 5	\$	\$ 44
Accounts payable and other current liabilities	194	1,088	795	(330)	1,747
<b>Total current liabilities</b>	<b>231</b>	<b>1,090</b>	<b>800</b>	<b>(330)</b>	<b>1,791</b>
Long-term debt	7,067	3	322		7,392
Intercompany debt	(1)	230	(128)	(101)	
Deferred income taxes	17	1,653	193		1,863
<b>Total liabilities</b>	<b>7,314</b>	<b>2,976</b>	<b>1,187</b>	<b>(431)</b>	<b>11,046</b>
<b>Total stockholder's equity</b>	<b>3,577</b>	<b>12,819</b>	<b>1,488</b>	<b>(14,307)</b>	<b>3,577</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$ 10,891</b>	<b>\$ 15,795</b>	<b>\$ 2,675</b>	<b>\$ (14,738)</b>	<b>\$ 14,623</b>

**Table of Contents****Supplemental Condensed Consolidating Balance Sheet**

(in millions)	Parent Company	Guarantor Subsidiaries	(Successor) December 31, 2005 Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>					
Current:					
Cash and cash equivalents	\$ 74	\$ (8)	\$ 251	\$	\$ 317
Intercompany balances	(1,536)	1,442	94		
Trade receivables, net	2	46	180		228
Prepaid expenses, taxes and other current assets	321	142	674	(316)	821
<b>Total current assets</b>	<b>(1,139)</b>	<b>1,622</b>	<b>1,199</b>	<b>(316)</b>	<b>1,366</b>
Property and equipment, net	1	496	208		705
Intangible assets, net	215	4,877	520		5,612
Goodwill		6,272	632		6,904
Intercompany balances	(744)	732	12		
Investment in subsidiaries	12,568	1,563		(14,131)	
<b>Total Assets</b>	<b>\$ 10,901</b>	<b>\$ 15,562</b>	<b>\$ 2,571</b>	<b>\$ (14,447)</b>	<b>\$ 14,587</b>
<b>Liabilities and Stockholder's Equity</b>					
Current:					
Short-term and current portion of long-term debt	\$ 37	\$ 3	\$ 6	\$	\$ 46
Accounts payable and other current liabilities	204	1,158	737	(316)	1,783
<b>Total current liabilities</b>	<b>241</b>	<b>1,161</b>	<b>743</b>	<b>(316)</b>	<b>1,829</b>
Long-term debt	7,078	4	301		7,383
Intercompany debt	5	212	(134)	(83)	
Deferred income taxes	5	1,617	181		1,803
<b>Total liabilities</b>	<b>7,329</b>	<b>2,994</b>	<b>1,091</b>	<b>(399)</b>	<b>11,015</b>
<b>Total stockholder's equity</b>	<b>3,572</b>	<b>12,568</b>	<b>1,480</b>	<b>(14,048)</b>	<b>3,572</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$ 10,901</b>	<b>\$ 15,562</b>	<b>\$ 2,571</b>	<b>\$ (14,447)</b>	<b>\$ 14,587</b>

**Table of Contents****Supplemental Condensed Consolidating Schedule of Operations**

(in millions)	(Successor)				Consolidated
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	
	Six Months Ended June 30, 2006				
Total revenue	\$	\$ 1,517	\$ 631	\$ (81)	\$ 2,067
Costs and expenses:					
Cost of sales and direct operating		734	314	(81)	967
Sales, marketing and administration	53	247	144		444
Product development		86	42		128
Depreciation and amortization		84	31		115
Amortization of acquisition-related intangible assets	1	164	33		198
Merger costs and other	3				3
	57	1,315	564	(81)	1,855
Income (loss) from operations	(57)	202	67		212
Net interest income (expense) and amortization of deferred financing fees	(308)	(7)	3		(312)
Other income (expense)	155	34	(14)	(193)	(18)
Income (loss) before income taxes	(210)				