SUNGARD DATA SYSTEMS INC
Form 10-K
March 07, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2007 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)

Delaware	**51-0267091**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

680 East Swedesford Road, Wayne, Pennsylvania 19087

(Address of principal executive offices, including zip code)

484-582-2000

(Telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨. No x.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes x. No ¨.

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 x.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K. x.

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 x.	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 x.

The aggregate market value of the registrant s voting stock held by nonaffiliates is zero. The registrant is a privately held corporation.

There were 100 shares of the registrant s Common Stock outstanding as of March 1, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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Forward-Looking Statements

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as believes, expects, may, will, should, seeks, approximately, intends, plans, estim anticipates or similar expressions which concern our strategy, plans or intentions. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We described some of the factors that we believe could affect our results in ITEM 1A RISK FACTORS. We assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

PART I

ITEM 1. BUSINESS

Overview

We are one of the world s leading software and IT services companies. We provide software and processing solutions to institutions throughout the financial services industry, higher education, and the public sector; and we help enterprises of all types to maintain the continuity of their business through information availability services. We operate our business in four segments:

Financial Systems (FS) serves financial services companies, corporate and government treasury departments and energy companies;

Higher Education (HE) serves higher education institutions;

Public Sector (PS) serves state and local governments, public safety and justice agencies, and not-for-profit organizations; and

Availability Services (AS) serves IT-dependent companies across virtually all industries.

We serve more than 25,000 customers in over 50 countries, including the world s 50 largest financial services companies. We seek to establish long-term customer relationships by negotiating multi-year contracts and by emphasizing customer support and product quality and integration. We believe that we are one of the most efficient operators of mission-critical IT solutions as a result of the economies of scale we derive from serving multiple customers on shared platforms. Our revenue is highly diversified by customer and product, with no single customer accounting for more than 4% of our total revenue during any of the past three fiscal years. We estimate that approximately 89% of our revenue for the past three fiscal years was recurring in nature.

We were acquired on August 11, 2005 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 Texas Pacific Group (the Transaction).

All references in this report to SunGard, Company, we, our, and us mean, unless the context indicates otherwise, SunGard Data Systems Inc its subsidiaries on a consolidated basis.

Our Strengths

Leading franchise in attractive industries. Built over many years, our business has leading positions and strong customer relationships in industries with attractive growth dynamics.

Leading industry positions. We believe that the majority of businesses within our FS segment are leaders in the sectors in which they participate within the highly fragmented global market for financial services IT software and services. We believe that HE and PS are both leading providers of software and services to higher education institutions and the public sector, respectively. AS is the pioneer and leading provider in the availability services industry.

Attractive industry dynamics. We believe that the sectors in which we participate have favorable growth dynamics. We believe that FS will benefit from several key industry dynamics: the shift from internal to external IT spending, the shift from infrastructure to application software spending, and the general increase in IT spending associated with rising compliance and regulatory requirements and real-time information needs. We anticipate that HE and PS will benefit from favorable growth dynamics in higher education and public safety IT spending. We believe that AS will continue to benefit from strong organic growth in the small and medium business sector. We believe that our strong relationships with our customers in the relatively fragmented software and processing sectors that we serve and our extensive experience and the significant total capital that we have invested in AS help us to maintain leading positions. We believe that these factors provide us with competitive advantages and enhance our growth potential.

Highly attractive business model. Our portfolio of businesses has substantial recurring revenue, a diversified customer base and significant operating cash flow generation.

Extensive portfolio of businesses with substantial recurring revenue. With a large portfolio of services and products in each of our four business segments, we have a diversified and stable business. We estimate that approximately 89% of our revenue for the past three fiscal years was recurring in nature. Because our FS customers generally pay us monthly fees that are based on metrics such as number of accounts or assets under management, we believe that our FS revenue is more insulated from trading and transaction volumes than the financial services industry at large. Our portfolio of businesses and the largely recurring nature of our revenue across all four of our segments have reduced volatility in our revenue and income from operations.

Diversified and stable customer base. Our base of more than 25,000 customers includes the world s 50 largest financial services firms, a variety of other financial services firms, corporate and government treasury departments, energy companies, higher education institutions, school districts, local governments and not-for-profit organizations. Our AS business serves customers across virtually all industries. We believe that our specialized solutions and services help our customers improve operational efficiency, capture growth opportunities and respond to regulatory requirements, which results in long-term customer relationships. Our customer base is highly diversified with no single customer accounting for more than 4% of total revenue during any of the last three fiscal years.

Significant operating cash flow generation. The combination of moderate capital expenditures and minimal working capital requirements allows us to convert a significant proportion of our revenue to cash available for debt service.

Experienced and committed management team with track record of success. Our management team fosters an entrepreneurial culture, has a long track record of operational excellence, has a proven ability to acquire and integrate complementary businesses, and is highly committed to our Company s long-term success.

Long track record of operational excellence. We have a solid track record of performance consistent with internal financial targets. Our experienced senior executive officers have proven capabilities in both running a global business and managing numerous applications that are important to our customers. Our FS solutions account for and manage over $25 trillion in investment assets and process over 5 million transactions per day. In our HE business, more than 1,600 institutions rely on SunGard Higher Education to support their campuses. Our PS products are used by agencies that serve more than 100 million citizens in North America and 50 million citizens in the UK. Our AS business has had a 100% success rate in supporting customer recoveries since our inception.

Successful, disciplined acquisition program. To complement our organic growth, we have a highly disciplined due diligence program to evaluate, execute and integrate acquisitions. We have completed more than 160 acquisitions over the past 20 years and overall have improved the operating performance of acquired businesses. Our ongoing acquisition program has contributed significantly to our long-term growth and success.

Experienced and committed management team. Our executive officers have on average more than 15 years of industry experience. Our senior managers have committed significant personal capital to our Company in connection with the Transaction.

Business Strategy

We are focused on expanding our position not only as a leading provider of integrated software and processing solutions, but also as the provider of choice for a wide range of availability services for IT-dependent companies. Our operating and financial strategy emphasizes fiscal discipline, profitable revenue growth and significant operating cash flow generation. In pursuit of these objectives, we have implemented the following strategies:

Expand our industry-leading franchise. We are constantly enhancing our product and service offerings across our portfolio of businesses, further building and leveraging our customer relationships, and looking to acquire complementary businesses at attractive valuations.

Enhance our product and service offerings. We continually support, upgrade and enhance our systems to incorporate new technology and meet the needs of our customers for increased operational efficiency and resilience. Our strong base of recurring revenue allows us to reinvest in our products and services. We continue to introduce innovative products and services in all four of our business segments. We believe that our focus on product enhancement and innovation will help us to increase our penetration of existing and new customers.

Extend our strong customer relationships. We focus on developing trusted, well-managed, long-term relationships with our customers. We look to maximize cross-selling opportunities, increase our share of our customers total IT spending and maintain a high level of customer satisfaction. Our global account management program allows us to present a single face to our larger FS customers as well as better target potential cross-selling opportunities.

Acquire and integrate complementary businesses. We seek opportunistically to acquire, at attractive valuations, businesses that broaden our existing product and service offerings, expand our customer base and strengthen our leadership positions, especially within the fragmented FS, HE and PS markets. Before committing to an acquisition, we devote significant resources to due diligence and to developing a post-acquisition integration plan, including the identification and quantification of potential cost savings and synergies. Our ongoing acquisition program has contributed significantly to our long-term growth and success.

Optimize our attractive business model. We continue to focus on maintaining our attractive business model and, in particular, increasing our recurring revenue base and implementing incremental operational improvements.

Increase our recurring revenue base. We strive to generate a high level of recurring revenue and stable cash flow from operations. We prefer to charge customers monthly subscription fees under multi-year contracts, and we continue to prefer such contracts because they offer high levels of revenue stability and visibility. Moreover, we believe that our high quality services and customized solutions help increase the level of integration and efficiency for our customers and reduce customer defections to other vendors or to in-house solutions.

Implement incremental operational improvements. We have identified opportunities to further increase revenue, reduce costs and improve cash flow from operations. These include the global account management program within FS, which stimulates cross-selling opportunities and account penetration for our largest customers; centralization of certain product management functions and expansion of certain software development capacity in lower-cost regions; the selective integration of certain FS, HE and PS business units and back-office operations; and the increased focus on generating revenue from ancillary services such as customer training and education as well as consulting.

Enhance our performance-based culture. We have an experienced management team that is focused on enhancing our performance-based culture. We continue to evaluate and implement programs to improve our current management structure through competitive compensation plans and continue to design effective human resources initiatives to retain key individuals at acquired businesses. Our compensation program, consistent with past practices, is highly performance-based.

Business Segment Overview

Our Segments

	Financial Systems	**Software & Processing Higher Education**	**Public Sector**	**Availability Services**
Revenue for the Year Ended December 31, 2007	$2.5 billion	$543 million	$410 million	$1.4 billion
Product and Service Offerings	Specialized software and processing solutions that automate the business processes associated with trading securities, managing portfolios and accounting for investment assets, consulting services, and IT management services	Specialized software and enterprise resource planning solutions, professional services, consulting services and IT management services to address the administrative, academic and community needs of higher education institutions	Specialized software and enterprise resource planning and administrative solutions, public safety and justice solutions, K-12 student information solutions, consulting services and IT management services	Portfolio of always ready standby services, as well as advanced recovery and always on production services that help companies maintain uninterrupted access to their mission-critical IT systems
Number of Customers	15,000	1,600	2,000	10,000
Primary Customers	Financial services companies Corporate and government treasury departments Energy companies	Higher education institutions	School districts State and local governments Central and federal government Public safety and justice agencies Not-for-profit organizations	Large, medium and small companies across virtually all industries

Financial Systems

FS provides mission-critical software and IT services to institutions in virtually every segment of the financial services industry. The primary purpose of these systems is to automate the many detailed processes associated with trading, managing investment portfolios and accounting for investment assets. These solutions address the processing requirements of a broad range of users within financial services, including asset managers, traders, custodians, compliance officers, treasurers, insurers, risk managers, hedge fund managers, plan administrators and clearing agents. In addition, we also provide professional services that focus on application implementation and integration of these solutions and on custom software development. Since our inception, we have consistently enhanced our FS solutions to add new features, process new types of financial instruments, meet new regulatory requirements, incorporate new technologies and meet evolving customer demands.

We deliver many of our FS solutions as an application service provider, primarily from our data centers located in North America and Europe that customers access through the Internet or virtual private networks. We also deliver some of our FS solutions by licensing the software to customers for use on their own computers.

Our FS businesses are grouped internally into two divisions. The main distinction between the two divisions is that one division serves customers whose business is primarily in North America while the other division serves customers whose business is primarily international. The grouping of FS businesses into two divisions also takes into account the balance of management workload.

Americas Division: The Americas division includes our Benefit Administration, Brokerage & Clearance, Insurance, Trading, Wealth Management and Workflow & Business Processing businesses as well as our US-based Consulting Services. It offers software solutions and strategic IT consulting to a broad range of users, including insurers and reinsurers, traders, custodians, plan administrators and compliance officers. These solutions help to automate and manage the trading and processing requirements of banks, broker/dealers, insurance companies, pension companies, fiduciary trusts and other financial services firms primarily in North America.

International Division: The International division includes our Alternative Investments, Capital Markets & Investment Banking, Banks & Corporations and Institutional Asset Management businesses, as well as our European-based Consulting Services. It also includes our FS international distribution organization which conducts business with customers in China, Japan and the rest of Asia-Pacific, Central and Eastern Europe, Africa and the Middle East. The International division offers software solutions and strategic IT consulting to a broad range of users including asset managers, fund administrators, traders, compliance officers, market makers, chief financial officers and treasurers. These solutions help connect every stage of the investment lifecycle, from portfolio analysis to regulatory compliance to investor accounting and reporting. They also help mitigate risk and deliver straight-through processing.

Our FS businesses in the Americas and International divisions are organized in the following customer-facing business areas:

Alternative Investments: We offer solutions specifically designed for firms specializing in alternative investments. These solutions support multiple asset classes and their derivatives, including equities, currency exchange rates, interest rates, credit, commodities, and convertibles. Solutions include strategy-specific applications for convertible and capital structure arbitrage, global repurchase agreements, stock finance, and listed options trading. Our enterprise-wide, straight-through processing solutions meet the trading, risk management, and investor and portfolio accounting requirements of single- and multi-strategy institutions.

Banks & Corporations: For banks, we provide an integrated solution suite for asset/liability management, budgeting and planning, regulatory compliance, and profitability. In addition, our products manage all aspects of universal banking including back-office transaction processing, front-office multi-channel delivery, card management and payments. For corporations and governments, our solutions provide chief financial officers and treasurers with the ability to monitor cash flow in real time and with increased operational controls on treasury, receivables, and payments functions. An end-to-end collaborative financial management framework gives CFOs and treasurers tools to help drive maximum value from working capital and reduce risk.

Benefit Administration: We serve organizations that administer defined-contribution and defined-benefit retirement plans, as well as organizations in every sector of the insurance industry. Our retirement plan systems support many plan types and fulfill functions ranging from recordkeeping and processing of contributions and payments to tax reporting and trade management.

Brokerage & Clearance: We are a leading provider of solutions for the global processing of securities and derivatives. These solutions support trade processing, clearing, and accounting, helping brokerage and clearing firms streamline operations and control risk and cost. Our solutions provide centralized transactional databases, support cross-asset business functions, and offer consolidated views of accounts and risk management. These solutions help firms gain front-to-back operational efficiencies and realize advantages of scale, supporting business growth.

Capital Markets & Investment Banking: Our solutions support cross-asset trading and straight-through processing of derivative instruments, helping investment banks to manage global trading books in multiple asset classes. These solutions also support securities lending and borrowing, repurchase agreements, and related transactions. We also offer solutions for the enterprise-wide management of market, credit, interest rate and liquidity risk. In addition, we provide a framework for helping banks to manage operational risk and compliance requirements.

Institutional Asset Management: We provide asset managers with comprehensive, integrated solutions to support their global investment operations. These solutions help connect every stage of the investment lifecycle, from portfolio analysis and electronic trading connectivity to regulatory compliance and investment accounting and reporting. We also provide systems for trading, pre- and post-trade compliance measurement, risk management, performance measurement and attribution, and data management.

Insurance: We provide IT solutions for the insurance industry in each of the following major business lines: life/health/annuities/pensions, property and casualty, reinsurance, and asset management. Our software and services support functions from the front-office through the back-office from customer service and policy administration to actuarial calculations, financial and investment accounting, and reporting.

Trading: We provide traders of U.S. equities, commodities and listed options with Web-based, electronic trading platforms for trade order management, direct market access and risk and compliance management. Our cross-asset solutions automate the transaction lifecycle, providing network connectivity and straight-through processing from pre- to post-trade. Our data analysis tools help improve the speed and ease of optimizing portfolios, assessing risk exposure, and identifying market opportunities.

Our energy solutions help financial services institutions, industrial and energy companies to efficiently compete in global energy markets by streamlining and integrating the trading, risk management and operations of physical commodities and their associated financial instruments. These solutions provide front- to back-office support for capturing deals, delivering market data for valuation, clearing and reconciliation of transactions, invoicing and accounting for transactions, analysis and management of risk, and physical transmission or delivery of commodities. Our energy solutions also support the logistics and inventory of fuels used in producing power and industrial products.

Wealth Management: Our wealth management solutions help investment advisors, trust bank managers, and wealth managers grow their businesses by helping support the needs of their mass affluent and high-net worth clients. We provide solutions for financial planning, asset allocation, surveillance and suitability, new account opening, portfolio management, unified managed account programs, trade execution, asset management, custody, and trust accounting. Our compliance and data management solutions help compliance officers mitigate risk and improve efficiencies through centralized data infrastructures, automated trade supervision, and code-of-ethics monitoring.

Workflow & Business Processing: Our workflow and business processing solutions help large organizations to capture, manage, store, and deliver content in order to automate workflow, enhance processes, track productivity, promote collaboration, and deliver time-sensitive client communications. We also provide a comprehensive, single-source solution for enterprise content management.

Higher Education

In HE, we provide software, strategic and systems integration consulting, and technology management services to colleges and universities. Our HE solutions help institutions worldwide strengthen institutional performance by improving constituent services, increasing accountability, and enhancing the education experience. Our Unified Digital Campus Solutions unite people, processes and technology in an environment that addresses the needs of higher education institutions and the people they serve with specific components tailored to the unique needs of each institution. HE solutions include administration and enterprise resource planning, advancement, IT management and outsourcing, portal and communication tools, performance management, enrollment management, academic performance and strategic planning.

Public Sector

In PS, we provide software and processing solutions designed to meet the specialized needs of local, state, federal and central governments, public safety and justice agencies, public schools, utilities, non-profits, and other public sector institutions. Our systems and services help institutions improve the efficiency of their operations and utilize the Web and wireless technologies in serving their constituents. Our PS solutions support a range of specialized enterprise resource planning and administrative solutions for functions such as accounting, human resources, payroll, utility billing, land management, public safety and criminal justice, and grant and project management.

Availability Services

In AS, we help our customers improve the uptime and resilience of the information and computer systems they need to run their business by providing them with cost-effective resources to help keep their IT systems reliable and secure. Since we pioneered commercial disaster recovery in the 1970s, we believe that our dedicated focus on information availability solutions, together with our experience, technology expertise, resource management capabilities, vendor neutrality and diverse service offerings, have uniquely positioned us to meet customers varied needs in an environment where business functions are critically dependent on availability of IT. Over three decades, we have developed a comprehensive portfolio of information availability services that extend from always ready standby services, to blended advanced recovery services, to always on production and managed services. We also provide consulting services to help our customers design, implement and maintain their mission-critical systems. To serve our 10,000 AS customers, we utilize 4,000,000 square feet of operations space at over 60 locations in 10 countries and a global network of approximately 25,000 miles. Since our inception, we have had a 100% success rate supporting customer recoveries from unplanned interruptions, including during recent major disasters including the 2007 U.K. floods, the 2005 Gulf Coast hurricanes, 2004 Florida hurricanes, the 2003 Northeast U.S. blackout and the September 11, 2001 terrorist attacks.

SunGard s principal information availability offering is a broad range of always ready standby services that were traditionally called disaster recovery or hot site services in which we provide 24/7 access to fully operational backup computer systems, allowing customers to recover their mainframe, distributed systems and server technology. These services help customers recover key information and systems in the event of an unplanned interruption, such as a major system failure, significant power or communication outage, security breach, labor stoppage, terrorist attack, fire, flood or natural disaster. By providing backup IT infrastructure, communications networks and alternate workspace for personnel, we help customers restore access to information and processing within a short period of time after an interruption, usually from several hours to two days. We deliver these services using processors, servers, storage devices, networks and other resources and infrastructure that are subscribed to by multiple customers, which results in economies of scale for us and cost-effectiveness for our customers, and through our mobile recovery units. These resources and infrastructure, when not needed by customers to recover from actual interruptions, are used around the clock by customers to test their plans for dealing with potential interruptions.

As our customers business needs change and result in higher availability requirements, we provide them with advanced recovery services by combining basic hot site services and dedicated data storage resources, supported by a common robust infrastructure. These blended solutions, labeled advanced recovery, high availability, vaulting or replication solutions, provide the same advantages as standby services but also allow customers to continuously mirror their data to one of our sites using data storage and other resources dedicated to each customer. If there is an unplanned interruption at the customer s site, the backup data is immediately available for restoring operations using our hot site service, helping customers to minimize data loss and reduce recovery times. In addition, our alternate work space allows our customers employees to resume productivity quickly after an interruption and includes PC s, office resources, and voice and data connectivity.

Our always on production or managed services help our customers keep their most critical applications running when disruptions would have immediate and severe financial or reputational repercussions. These services can be engineered with redundant or failover capabilities to virtually eliminate the possibility of any disruption and to limit any downtime to at most a few seconds or minutes. Examples of these production services include secure hosting of a customer s database or server infrastructure, managing a customer s full application infrastructure with dedicated hosting in a shared data center and managing a customer s applications, which typically involves technical administration, monitoring and management of enterprise resource planning (ERP) systems and security services.

Although always ready services remain our principal revenue generating services, advanced recovery and managed services increasingly account for a greater percentage of our new sales. Because advanced recovery services often result in greater use of both shared and dedicated resources, they typically generate appreciably higher revenue and income with a modest increase in capital expenditures and a modest decrease in operating margin rate than standby services.

Managed services typically require more dedicated processors, servers, storage devices, networks and other resources, which are either obtained by the customer or provided by us for the customer s exclusive use. These services generally produce a higher revenue opportunity but at a lower operating margin rate. With always on managed services, we create cost-effective economies of scale by leveraging our comprehensive resources and infrastructure, standardized and optimized processes and know-how as well as our resource management skills and purchasing power.

Acquisitions

To complement our organic growth, we have a highly disciplined due diligence program to evaluate, execute and integrate acquisitions. Generally, we seek to acquire businesses that broaden our existing product lines and service offerings by adding complementary products and service offerings and by expanding our geographic reach. During 2007, we spent approximately $265 million in cash to acquire 11 businesses.

The following table lists the businesses we acquired in 2007:

Acquired Company/Business	Date Acquired	Description
XRT SA s High-End Treasury Business	01/25/07	Treasury and cash management applications.
Maxim Insurance Software Corporation	02/06/07	Premium billing systems to the property and casualty industry.
Aceva Technologies, Inc.	02/14/07	Credit and collections software solutions.
Finetix, LLC	04/20/07	Technology consulting services for the financial services sector.
Energy Softworx, Inc.	04/20/07	Fuels management software solutions for the power generation industry.
Aspiren Group Limited	06/01/07	Performance and information management solutions for the public sector in the United Kingdom.
GTI Consultants SAS	06/06/07	Consulting and IT professional services to financial institutions in France.
VeriCenter, Inc.	08/20/07	Managed services, application hosting and IT infrastructure outsourcing.
The ASTEC Group	10/04/07	Information products and analytics on securities finance.
DSPA Software Inc.	11/15/07	Sales compensation and distribution management software for the insurance industry.
Financial Technology Integrators, LLC	12/21/07	Portfolio management systems for the bank, trust and investment management community.

Product Development

We continually support, upgrade and enhance our systems and develop new products to meet the needs of our customers for operational efficiency and resilience and to leverage advances in technology. Our Common Services Architecture (CSA) initiative allows our product development teams around the world to share, contribute to, and leverage, each other s work. CSA is a technology framework a vendor-agnostic service oriented architecture (SOA), based on mainstream open standards, that enables discrete components from SunGard s product portfolio to be assembled to form composite applications. CSA allows our product development teams to share intellectual property, best practices and expertise for the benefit of our customers.

Our expenditures for software development during the years ended December 31, 2005, 2006 and 2007, including amounts that were capitalized, totaled approximately $265 million, $276 million and $297 million, respectively. These amounts do not include routine software support costs that are included in cost of sales, nor do they include costs incurred in performing certain customer-funded development projects in the ordinary course of business.

Marketing

Most of our FS solutions are marketed throughout North America and Western Europe and many are marketed world wide, including Asia-Pacific, Central and Eastern Europe, the Middle East and Africa, with the principal focus being on selling additional products and services to existing customers. Our AS, HE and PS solutions are marketed primarily in North America and Europe, with a focus on both new accounts and existing accounts. Our revenue from sales outside the United States during the years ended December 31, 2005, 2006 and 2007 totaled approximately $1.10 billion, $1.23 billion and $1.42 billion, respectively.

Competition

Since most of our computer services and software solutions are specialized and technical in nature, most of the market niches in which we compete have a relatively small number of significant competitors. Some of our existing competitors and some potential competitors have substantially greater financial, technological and marketing resources than we have (see ITEM 1A RISK FACTORS).

Financial Systems. In our FS business, we compete with numerous other data processing and software vendors that may be broadly categorized into two groups. The first group is comprised of specialized financial systems companies that are much smaller than us. The second group is comprised of large computer services companies whose principal businesses are not in the financial systems area, some of which are also active acquirors. We also face competition from the internal processing and IT departments of our customers and prospects. The key competitive factors in marketing financial systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and quality of customer support, degree of responsiveness, level of software development expertise, total cost of ownership and return on investment. We believe that we compete effectively with respect to each of these factors and that our reputation and experience in this business are important competitive advantages.

Higher Education and Public Sector. In our HE and PS businesses, we compete with a variety of other vendors depending upon customer characteristics such as size, type, location, computing environment and functional requirements. For example, there may be different competitors for different sizes or types of educational institutions or government agencies, or in different states or geographic regions. Competitors in this business range from larger providers of generic enterprise resource planning systems to smaller providers of specialized applications and technologies. We also compete with outsourcers and systems integrators, as well as the internal processing and information technology departments of our customers and prospective customers. The key competitive factors in marketing higher education and public sector systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and quality of customer support, degree of responsiveness, level of software development expertise and overall net cost. We believe that we compete effectively as to each of these factors and that our leadership and reputation in these businesses are important competitive advantages.

Availability Services. In our AS business, our greatest source of competition for recovery and advanced recovery services is in-house dedicated solutions, which are solutions that our customers or prospective customers develop and maintain internally instead of purchasing those solutions from a vendor such as us. Historically, our single largest commercial competitor in the AS business for recovery and advanced recovery services has been IBM Corporation, which we believe is the only company other than ours that currently provides the full continuum of availability services. We also face competition from specialized vendors, including hardware manufacturers, data-replication and virtualization software companies, outsourcers, managed hosting companies, IT services companies and telecommunications companies. Competition among managed IT or data center service providers is fragmented with various competitor types, such as major telecommunication providers, carrier neutral managed services providers (MSPs), real estate investment trusts (REITs), IT outsourcers and regional colocation providers. We believe that we compete effectively with respect to the key competitive dimensions in information availability, namely economies of scale, quality of infrastructure, scope and quality of services, including breadth of hardware platforms and network capacity, level and quality of customer support, level of technical expertise, vendor neutrality and price. We also believe that our experience and reputation as an innovator in information availability solutions, our proven track record, our financial stability and our ability to provide the entire portfolio of availability services as a single vendor solution are important competitive advantages.

Employees

On December 31, 2007, we had approximately 17,900 employees. We believe that our success depends partly on our continuing ability to retain and attract skilled technical, sales and management personnel. While skilled personnel are in high demand and competition exists for their talents, we believe that we have been able to retain and attract highly qualified personnel (see ITEM 1A RISK FACTORS). We believe that our employee relations are excellent.

Proprietary Protection

We own registered marks for the SUNGARD name and own or have applied for trademark registrations for many of our services and software products.

To protect our proprietary services and software, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. We also have established policies requiring our personnel and representatives to maintain the confidentiality of our proprietary property. We have a few registrations of our copyrights and a number of patents and patent applications pending. We will continue to apply for software and business method patents on a case-by-case basis and will continue to monitor ongoing developments in the evolving software and business method patent field (see ITEM 1A RISK FACTORS).

Sustainable Development

We have a strong commitment to sustainability. The customers, communities and environment we do business with and in are increasingly influenced by sustainability issues. Our employees identify strongly with global social, ethical and environmental issues such as climate change. Most of our businesses already have established practices for recycling, conservation and disposal of hazardous materials. We believe in accountability, doing business ethically and doing the right thing. During 2007, SunGard announced a commitment to introduce corporate guidelines on sustainable development and took the first steps toward making sustainability an integral part of how we work, including forming an employee Sustainability Work Group, becoming members of the World Business Council for Sustainable Development and the Green Grid, and signing the Bali Communique on Climate Change. We remain dedicated to establishing a corporate culture of sustainable development to help ensure that SunGard can continue to take pride in what we do and the way we do it.

ITEM 1A. RISK FACTORS

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as believes, expects, may, will, should, seeks, approximately, intends, plans, estim anticipates or similar expressions which concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. All of these forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Some of the factors that we believe could affect our results include:

- our high degree of leverage;
- general economic and market conditions;
- the condition of the financial services industry, including the effect of any further consolidation among financial services firms;
- the integration of acquired businesses, the performance of acquired businesses, and the prospects for future acquisitions;
- the effect of war, terrorism, natural disasters or other catastrophic events;
- the effect of disruptions to our systems and infrastructure;
- the timing and magnitude of software sales;
- the timing and scope of technological advances;
- customers taking their information availability solutions in-house;

- the trend in information availability toward solutions utilizing more dedicated resources;
- the market and credit risks associated with clearing broker operations;
- the ability to retain and attract customers and key personnel;
- risks relating to the foreign countries where we transact business;
- the ability to obtain patent protection and avoid patent-related liabilities in the context of a rapidly developing legal framework for software and business-method patents; and
- a material weakness in our internal controls.

The factors described in this paragraph and other factors that may affect our business or future financial results, as and when applicable, are discussed in our filings with the Securities and Exchange Commission (SEC), including this Report on Form 10-K. We assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

Risks Related to Our Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our debt obligations.

As a result of being acquired on August 11, 2005 by a consortium of private equity investment funds, we are highly leveraged and our debt service requirements are significant. At December 31, 2007, our total indebtedness was $7.49 billion, and we had $941 million available for borrowing under our revolving credit facility, after giving effect to certain outstanding letters of credit. In addition, at December 31, 2007, we had outstanding $441 million of our $450 million off-balance sheet receivables facility.

Our high degree of leverage could have important consequences, including:

- making it more difficult for us to make payments on our debt obligations;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit facilities and our receivables facility, are at variable rates of interest;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and

limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit facilities and the indentures relating to our senior notes due 2013 and senior subordinated notes due 2015. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our senior secured credit agreement and the indentures governing our senior notes due 2013 and senior subordinated notes due 2015 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

In addition, under the senior secured credit agreement, we are required to satisfy and maintain specified financial ratios and other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those ratios and tests. A breach of any of these covenants could result in a default under the senior secured credit agreement. Upon an event of default under the senior secured credit agreement, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit.

If we were unable to repay those amounts, the lenders under the senior secured credit agreement could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under the senior secured credit agreement and the senior notes due 2009 and 2014, to the extent required by the indenture governing these notes. If the lenders under the senior secured credit agreement accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay the senior secured credit facilities and the senior notes, as well as our unsecured indebtedness.

Risks Related to Our Business

Our business depends largely on the economy and financial markets, and a slowdown or downturn in the economy or financial markets could adversely affect our business and results of operations.

When there is a slowdown or downturn in the economy, a drop in stock market levels or trading volumes, or an event that disrupts the financial markets, our business and financial results may suffer for a number of reasons. Customers may react to worsening conditions by reducing their capital expenditures in general or by specifically reducing their IT spending. In addition, customers may curtail or discontinue trading operations, delay or cancel IT projects, or seek to lower their costs by renegotiating vendor contracts. Also, customers with excess IT resources may choose to take their availability solutions in-house rather than obtain those solutions from us. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers to lower cost solutions. If any of these circumstances remain in effect for an extended period of time, there could be a material adverse effect on our financial results. Because our financial performance tends to lag behind fluctuations in the economy, our recovery from any particular downturn in the economy may not occur until after economic conditions have generally improved.

Our business depends largely on the financial services industry, and a weakening of the financial services industry could adversely affect our business and results of operations.

Because our customer base is concentrated in the financial services industry, our business is largely dependent on the health of that industry. When there is a general downturn in the financial services industry, or if our customers in that industry experience financial or business problems, our business and financial results may suffer. If financial services firms continue to consolidate, there could be a material adverse effect on our business and financial results. When a customer merges with a firm using its own solution or another vendor s solution, they could decide to consolidate on a non-SunGard system, which could have an adverse effect on our financial results.

Our acquisition program is an important element of our strategy but, because of the uncertainties involved, this program may not be successful and we may not be able to successfully integrate and manage acquired businesses.

Part of our growth strategy is to pursue additional acquisitions in the future. There can be no assurance that our acquisition program will continue to be successful. In addition, we may finance any future acquisition with debt, which would increase our interest costs. If we are unable to successfully integrate and manage acquired businesses, or if acquired businesses perform poorly, then our business and financial results may suffer. It is possible that the businesses we have acquired and businesses that we acquire in the future may perform worse than expected or prove to be more difficult to integrate and manage than expected. If that happens, there may be a material adverse effect on our business and financial results for a number of reasons, including:

- we may have to devote unanticipated financial and management resources to acquired businesses;
- we may not be able to realize expected operating efficiencies or product integration benefits from our acquisitions;
- we may have to write-off goodwill or other intangible assets; and
- we may incur unforeseen obligations or liabilities in connection with acquisitions.

If we are unable to identify suitable acquisition candidates and successfully complete acquisitions, our growth and our financial results may be adversely affected.

Our growth has depended in part on our ability to acquire similar or complementary businesses on favorable terms. This growth strategy is subject to a number of risks that could adversely affect our business and financial results, including:

- we may not be able to find suitable businesses to acquire at affordable valuations or on other acceptable terms;

we may face competition for acquisitions from other potential acquirers, some of whom may have greater resources than us or may be less highly leveraged, or from the possibility of an acquisition target pursuing an initial public offering of its stock;

we may have to incur additional debt to finance future acquisitions as we have done in the past and no assurance can be given as to whether, and on what terms, such additional debt will be available; and

we may find it more difficult or costly to complete acquisitions due to changes in accounting, tax, securities or other regulations.

Catastrophic events may disrupt or otherwise adversely affect the markets in which we operate, our business and our profitability.

Our business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our customers, the financial markets or the overall economy. The potential for a direct impact is due primarily to our significant investment in our infrastructure. Although we maintain redundant facilities and have contingency plans in place to protect against both man-made and natural threats, it is impossible to fully anticipate and protect against all potential catastrophes. Despite our preparations, a security breach, criminal act, military action, power or communication failure, flood, severe storm or the like could lead to service interruptions and data losses for customers, disruptions to our operations, or damage to our important facilities. The same disasters or circumstances that may lead to our customers requiring access to our availability services may negatively impact our own ability to provide such services. Our three largest availability services facilities are particularly important, and a major disruption at one or more of those facilities could disrupt or otherwise impair our ability to provide services to our availability services customers. If any of these events happen, we may be exposed to unexpected liability, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

Our application service provider systems may be subject to disruptions that could adversely affect our reputation and our business.

Our application service provider systems maintain and process confidential data on behalf of our customers, some of which is critical to their business operations. For example, our trading, treasury and risk management systems maintain account and trading information for our customers and their clients, and our benefit administration and insurance systems maintain investor account information for retirement plans, insurance policies and mutual funds. There is no guarantee that the systems and procedures that we maintain to protect against unauthorized access to such information are adequate to protect against all security breaches. If our application service provider systems are disrupted or fail for any reason, or if our systems or facilities are infiltrated or damaged by unauthorized persons, our customers could experience data loss, financial loss, harm to reputation and significant business interruption. If that happens, we may be exposed to unexpected liability, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

Because the sales cycle for our software is typically lengthy and unpredictable, our results may fluctuate from period to period.

Our operating results may fluctuate from period to period and be difficult to predict in a particular period due to the timing and magnitude of software sales. We offer a number of our software solutions on a license basis, which means that the customer has the right to run the software on its own computers. The customer usually makes a significant up-front payment to license software, which we generally recognize as revenue when the license contract is signed and the software is delivered. The size of the up-front payment often depends on a number of factors that are different for each customer, such as the number of customer locations, users or accounts. As a result, the sales cycle for a software license may be lengthy and take unexpected turns. Thus, it is difficult to predict when software sales will occur or how much revenue they will generate. Since there are few incremental costs associated with software sales, our operating results may fluctuate from quarter to quarter and year to year due to the timing and magnitude of software sales.

Rapid changes in technology and our customers businesses could adversely affect our business and financial results.

Our business may suffer if we do not successfully adapt our products and services to changes in technology and changes in our customers businesses. These changes can occur rapidly and at unpredictable intervals and we cannot assure you that we will be able to respond adequately. If we do not successfully update and integrate our products and services to adapt to these changes, or if we do not successfully develop new products and services needed by our customers to keep pace with these changes, then our business and financial results may suffer. Our ability to keep up with technology and business changes is subject to a number of risks, including:

- we may find it difficult or costly to update our products and services and to develop new products fast enough to meet our customers needs;

- we may find it difficult or costly to make some features of our products and services work effectively and securely over the Internet;

- we may find it difficult or costly to integrate more of our FS solutions;

- we may find it difficult or costly to update our products and services to keep pace with business, regulatory and other developments in the financial services industry, where many of our customers operate; and

- we may find it difficult or costly to update our services to keep pace with advancements in hardware, software and telecommunications technology.

Some technological changes, such as advancements that have facilitated the ability of our AS customers to develop their own internal solutions, may render some of our products and services less valuable or eventually obsolete. In addition, because of ongoing, rapid technological changes, the useful lives of some technology assets have become shorter and customers are therefore replacing these assets more often. As a result, our customers are increasingly expressing a preference for contracts with shorter terms, which could make our revenue less predictable in the future.

Customers taking their availability solutions in-house may continue to create pressure on our organic revenue growth rate.

Our AS solutions allow customers to leverage our significant infrastructure and take advantage of our experience, technology expertise, resource management capabilities and vendor neutrality. Technological advances in recent years have significantly reduced the cost yet not the complexity of developing in-house solutions. Some customers, especially among the very largest having significant IT resources, prefer to develop and maintain their own in-house availability solutions, which can result in a loss of revenue from those customers. If this trend continues or worsens, there will be continued pressure on our organic revenue growth rate.

The trend toward information availability solutions utilizing more single customer dedicated resources likely will lower our overall operating margin rate over time.

In the information availability services industry, especially among our more sophisticated customers, there is an increasing preference for solutions that utilize some level of dedicated resources, such as blended advanced recovery services and always on production services. The primary reason for this trend is that adding dedicated resources, although more costly, provides greater control, reduces data loss and facilitates quicker responses to business interruptions. Advanced recovery services often result in greater use of both shared and dedicated resources and, therefore, typically generate appreciably higher revenue with only a modest increase in capital expenditures and a modest decrease in operating margin rate. Production or managed services require significant dedicated resources and, therefore, generally produce even higher revenue at an appropriately lower operating margin rate.

Our brokerage operations are highly regulated and are riskier than our other businesses.

Organizations like the Securities and Exchange Commission and National Association of Securities Dealers can, among other things, fine, censure, issue cease-and-desist orders and suspend or expel a broker/dealer or any of its officers or employees for failures to comply with the many laws and regulations that govern brokerage operations. Our ability to comply with these laws and regulations is largely dependent on our establishment, maintenance and enforcement of an effective brokerage compliance program. Our failure to establish, maintain and enforce proper brokerage compliance procedures, even if unintentional, could subject us to significant losses, lead to disciplinary or other actions, and tarnish our reputation. Regulations affecting the brokerage industry, in particular with respect to active traders, may change, which could adversely affect our financial results.

We are exposed to certain risks due to the trading activities of our customers and professional traders of our brokerage operations. If customers or professional traders fail to pay for securities they buy, or fail to cover their short sales, or fail to repay margin loans we make to them, then we may suffer losses, and these losses may be disproportionate to the relatively modest revenue and profit contributions of this business. In our other businesses, we generally can disclaim liability for trading losses that may be caused by our software, but in our brokerage operations, we cannot limit our liability for trading losses even when we are not at fault.

We could lose revenue due to fiscal funding or termination for convenience clauses in certain customer contracts, especially in our HE and PS businesses.

Certain of our customer contracts, particularly those with governments, institutions of higher education and school districts, may be partly or completely terminated by the customer due to budget cuts or sometimes for any reason at all. These types of clauses are often called fiscal funding or termination for convenience clauses. If a customer exercises one of these clauses, the customer would be obligated to pay for the services we performed up to the date of exercise, but would not have to pay for any further services. While we have not been materially affected by exercises of these clauses in the past, we may be in the future. If customers that collectively represent a substantial portion of our revenue were to invoke the fiscal funding or termination for convenience clauses of their contracts, our future business and results of operations could be adversely affected.

If we fail to comply with government regulations in connection with our providing technology services to certain financial institutions, our business and results of operations may be adversely affected.

Because we act as a third-party service provider to financial institutions and provide mission-critical applications for many financial institutions that are regulated by one or more member agencies of the Federal Financial Institutions Examination Council (FFIEC), we are subject to examination by the member agencies of the FFIEC. More specifically, we are a Multi-Regional Data Processing Servicer of the FFIEC because we provide mission critical applications for financial institutions from several data centers located in different geographic regions. As a result, the FFIEC conducts periodic reviews of certain of our operations in order to identify existing or potential risks associated with our operations that could adversely affect the financial institutions to whom we provide services, evaluate our risk management systems and controls, and determine our compliance with applicable laws that affect the services we provide to financial institutions. In addition to examining areas such as our management of technology, data integrity, information confidentiality and service availability, the reviews also assess our financial stability. Our incurrence of significant debt in connection with the Transaction increases the risk of an FFIEC agency review determining that our financial stability has been weakened. A sufficiently unfavorable review from the FFIEC could result in our financial institution customers not being allowed to use our technology services, which could have a material adverse effect on our business and financial condition.

If we are unable to retain or attract customers, our business and financial results will be adversely affected.

If we are unable to keep existing customers satisfied, sell additional products and services to existing customers or attract new customers, then our business and financial results may suffer. A variety of factors could affect our ability to successfully retain and attract customers, including the level of demand for our products and services, the level of customer spending for information technology, the level of competition from customers that develop their own solutions internally and from other vendors, the quality of our customer service, our ability to update our products and develop new products and services needed by customers, and our ability to integrate and manage acquired businesses. Our services revenue, which has been largely recurring in nature, comes from the sale of our products and services under fixed-term contracts. We do not have a unilateral right to extend these contracts when they expire. If customers cancel or refuse to renew their contracts, or if customers reduce the usage levels or asset values under their contracts, there could be a material adverse effect on our business and financial results.

If we fail to retain key employees, our business may be harmed.

Our success depends on the skill, experience and dedication of our employees. If we are unable to retain and attract sufficiently experienced and capable personnel, especially in product development, sales and management, our business and financial results may suffer. For example, if we are unable to retain and attract a sufficient number of skilled technical personnel, our ability to develop high quality products and provide high quality customer service may be impaired. Experienced and capable personnel in the technology industry remain in high demand, and there is continual competition for their talents. When talented employees leave, we may have difficulty replacing them, and our business may suffer. There can be no assurance that we will be able to successfully retain and attract the personnel that we need.

We are subject to the risks of doing business internationally.

During 2007, approximately 29% of our revenue was generated outside the United States. Approximately 81% of this revenue was from customers located in the United Kingdom and Continental Europe. Over the past few years we have expanded our support operations in India and acquired businesses in China and Singapore, in an effort to increase our presence throughout Asia Pacific. Because we sell our services outside the United States, our business is subject to risks associated with doing business internationally. Accordingly, our business and financial results could be adversely affected due to a variety of factors, including:

- changes in a specific country s or region s political and cultural climate or economic condition;
- unexpected changes in foreign laws and regulatory requirements;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- inadequate intellectual property protection in foreign countries;
- trade-protection measures, import or export licensing requirements such as Export Administration Regulations promulgated by the U.S. Department of Commerce and fines, penalties or suspension or revocation of export privileges;
- the effects of applicable foreign tax structures and potentially adverse tax consequences; and
- significant adverse changes in foreign currency exchange rates.

The private equity firms that acquired the Company (Sponsors) control us and may have conflicts of interest with us.

Investment funds associated with or designated by the Sponsors indirectly own, through their ownership in our top-tier parent companies, a substantial portion of our capital stock. As a result, the Sponsors have control over our decisions to enter into any corporate transaction regardless of whether noteholders believe that any such transaction is in their own best interests. For example, the Sponsors could cause us to make acquisitions or pay dividends that increase the amount of indebtedness that is secured or that is senior to our senior subordinated notes or to sell assets.

Additionally, the Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. One or more of the Sponsors may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as investment funds associated with or designated by the Sponsors continue to indirectly own a significant amount of the outstanding shares of our common stock, even if such amount is less than 50%, the Sponsors will continue to be able to strongly influence or effectively control our decisions.

If we are unable to protect our proprietary technologies and defend infringement claims, we could lose one of our competitive advantages and our business could be adversely affected.

Our success depends in part on our ability to protect our proprietary products and services and to defend against infringement claims. If we are unable to do so, our business and financial results may suffer. To protect our proprietary technology, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. Despite our efforts to protect the proprietary technology, unauthorized persons may be able to copy, reverse engineer or otherwise use some of our technology. It also is possible that others will develop and market similar or better technology to compete with us. Furthermore, existing patent, copyright and trade secret laws may afford only limited protection, and the laws of certain countries do not protect proprietary technology as well as United States law. For these reasons, we may have difficulty protecting our proprietary technology against unauthorized copying or use. If any of these events happens, there could be a material adverse effect on the value of our proprietary technology and on our business and financial results. In addition, litigation may be necessary to protect our proprietary technology. This type of litigation is often costly and time-consuming, with no assurance of success.

The legal framework for software and business method patents is rapidly evolving. Some of our competitors may have been more aggressive than us in applying for or obtaining patent protection for innovative proprietary technologies both in the United States and internationally. There can be no assurance that in the future third parties will not assert infringement claims against us (as they have already done in the past) and preclude us from using a technology in our products or require us to enter into royalty and licensing arrangements on terms that are not favorable to us, or force us to engage in costly infringement litigation, which could result in us paying monetary damages or being forced to redesign our products to avoid infringement. Additionally, our licenses and service agreements with our customers generally provide that we will defend and indemnify them for claims against them relating to our alleged infringement of the intellectual property rights of third parties with respect to our products or services. We might have to defend or indemnify our customers to the extent they are subject to these types of claims. Any of these claims may be difficult and costly to defend and may lead to unfavorable judgments or settlements, which could have a material adverse effect on our reputation, business and financial results. For these reasons, we may find it difficult or costly to add or retain important features in our products and services.

Defects, design errors or security flaws in our products could harm our reputation and expose us to potential liability.

Most of our products are very complex software systems that are regularly updated. No matter how careful the design and development, complex software often contains errors and defects when first introduced and when major new updates or enhancements are released. If errors or defects are discovered in our current or future products, we may not be able to correct them in a timely manner, if at all. In our development of updates and enhancements to our products, we may make a major design error that makes the product operate incorrectly or less efficiently.

In addition, certain of our products include security features that are intended to protect the privacy and integrity of customer data. Despite these security features, our products and systems, and our customers systems may be vulnerable to break-ins and similar problems caused by third parties, such as hackers bypassing firewalls and misappropriating confidential information. Such break-ins or other disruptions could jeopardize the security of information stored in and transmitted through our computer systems and those of our customers, subject us to liability and tarnish our reputation. We may need to expend significant capital resources in order to eliminate or work around errors, defects, design errors or security problems. Any one of these problems in our products may result in the loss of or a delay in market acceptance of our products, the diversion of development resources, a lower rate of license renewals or upgrades and damage to our reputation, and in turn may increase service and warranty costs.

A material weakness in our internal controls could have a material adverse affect on us.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent fraud, our reputation and operating results could be harmed. Pursuant to the Sarbanes-Oxley Act of 2002, we are required to furnish a report by management on internal control over financial reporting, including management s assessment of the effectiveness of such control. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, we could fail to meet our reporting obligations, and there could be a material adverse effect on our business and financial results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease space, primarily for availability services facilities, data centers, sales offices, customer support offices and administrative offices, in many locations worldwide. We also own some of our computer and office facilities. Our principal facilities include our leased availability services facilities in Philadelphia, Pennsylvania (578,200 square feet), Carlstadt, New Jersey (522,300 square feet), and Hounslow, England (195,000 square feet) and include our financial systems application service provider centers in Voorhees, New Jersey, Birmingham, Alabama, Burlington, Massachusetts and Ridgefield, New Jersey. We believe that our leased and owned facilities are adequate for our present operations.

ITEM 3. LEGAL PROCEEDINGS

We are presently a party to certain lawsuits arising in the ordinary course of our business. We believe that none of our current legal proceedings will be material to our business, financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our outstanding common stock is privately held, and there is no established public trading market for our common stock. As of the date of this filing, there was one holder of record of our common stock.

See ITEM 7, Liquidity and Capital Resources The Transaction for a description of restrictions on our ability to pay dividends.

ITEM 6. SELECTED FINANCIAL DATA

(in millions)	Predecessor 2003	2004	January 1 through August 10, 2005	Successor August 11 through December 31, 2005	Combined[(1)] Year Ended December 31, 2005	Successor 2006	2007
Income Statement Data[(2)(3)]							
Revenue	$ 2,955	$ 3,556	$ 2,371	$ 1,631	$ 4,002	$ 4,323	$ 4,901
Income from operations	623	704	296	197	493	532	631
Net income	370	454	146	(29)	117	(118)	(60)

	Predecessor 2003	2004	Successor 2005	2006	2007
Balance Sheet Data[(2)]					
Total assets	$ 4,000	$ 5,195	$ 14,587	$ 14,671	$ 14,840
Total short-term and long-term debt	200	554	7,429	7,439	7,485
Stockholders equity	2,766	3,252	3,572	3,574	3,556

(1) Our combined results for the year ended December 31, 2005 represent the addition of the Predecessor period from January 1, 2005 through August 10, 2005 and the Successor period from August 11, 2005 through December 31, 2005. This combination does not comply with generally accepted accounting principles or with the rules for pro forma presentation, but is presented because we believe it provides the most meaningful comparison of our results.

(2) Includes the effect of business acquisitions and dispositions from the date of each event. There were nine acquisitions 2003, ten acquisitions in 2004, eleven acquisitions in 2005, ten acquisitions in 2006 and eleven acquisitions in 2007. Three businesses were sold in each of 2004 and 2006. See Note 2 of Notes to Consolidated Financial Statements.

(3) 2004 includes a gain of $78 million from the sale of Brut LLC, offset by $6 million of costs associated with the abandoned spin-off of SunGard Availability Services.

The period from January 1, 2005 through August 10, 2005 includes $59 million of accounting, investment banking, legal and other costs associated with the Transaction and the abandoned spin-off of SunGard Availability Services as well as $59 million resulting from the acceleration of stock options and restricted stock.

The period from August 11, 2005 through December 31, 2005 includes $18 million consisting primarily of payroll taxes and certain compensation expenses related to the Transaction.

See Notes 1 and 2 of Notes to Consolidated Financial Statements.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are one of the world s leading software and IT services companies. We provide software and processing solutions to institutions throughout the financial services industry, higher education, and the public sector; and we help enterprises of all types to maintain the continuity of their business through information availability services. We support more than 25,000 customers in over 50 countries, including the world s 50 largest financial services companies. We operate our business in four segments: Financial Systems (FS), Higher Education (HE), Public Sector (PS) and Availability Services (AS). Our FS segment primarily serves financial services companies, corporate and government treasury departments and energy companies. Our HE segment primarily serves higher education institutions. Our PS segment primarily serves state and local governments and not-for-profit organizations. Our AS segment serves IT-dependent companies across virtually all industries.

SunGard Data Systems Inc. (SunGard) was acquired on August 11, 2005 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 Texas Pacific Group (the Transaction).

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. The term Parent Companies collectively refers to SunGard Capital Corp. and SunGard Capital Corp. II, as used herein. All of these companies were formed for the purpose of facilitating the Transaction.

In FS, we primarily serve financial services institutions through a broad range of complementary software solutions that process their investment and trading transactions. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing investment portfolios and accounting for investment assets.

In HE, we primarily provide software, strategic and systems integration consulting, and technology management services to colleges and universities. HE solutions include administration, advancement, IT management, performance analytics, enrollment management, academic performance and strategic planning.

In PS, we primarily provide software and processing solutions designed to meet the specialized needs of local, state, federal and central governments, public safety and justice agencies, public schools, utilities, non-profits, and other public sector institutions. Our PS solutions support a range of specialized enterprise resource planning and administrative solutions.

In AS, we help our customers maintain access to the information and computer systems they need to run their businesses by providing them with cost-effective resources to keep their IT systems reliable and secure. We offer a complete range of availability services from always ready standby solutions to always on production services. We also provide professional services to help our customers design, implement and maintain the ways they access critical information.

The following discussion includes historical and certain forward-looking information that should be read together with the accompanying Consolidated Financial Statements and related footnotes and the discussion above of certain risks and uncertainties (see ITEM 1A RISK FACTORS) that could cause future operating results to differ materially from historical results or the expected results indicated by forward-looking statements.

Use of Estimates and Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make many estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Those estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. We review our estimates and judgments on an ongoing basis and revise them when necessary. Actual results may differ from the original or revised estimates. A summary of our significant accounting policies is contained in Note 1 of Notes to Consolidated Financial Statements. A description of the most critical policies follows. Our management has discussed the critical accounting policies described below with our audit committee.

Intangible Assets and Purchase Accounting

Purchase accounting requires that all assets and liabilities be recorded at fair value on the acquisition date, including identifiable intangible assets separate from goodwill. Identifiable intangible assets include customer base (which includes customer contracts and relationships), software and trade name. Goodwill represents the excess of cost over the fair value of net assets acquired. For the Transaction and for other significant acquisitions, we obtain independent appraisals and valuations of the intangible (and certain tangible) assets acquired and certain assumed obligations.

The estimated fair values and useful lives of identified intangible assets are based on many factors, including estimates and assumptions of future operating performance and cash flows of the acquired business, the nature of the business acquired, the specific characteristics of the identified intangible assets, and our historical experience and that of the acquired business. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including product demand, market conditions, technological developments, economic conditions and competition. The carrying values and useful lives for amortization of identified intangible assets are reviewed on an ongoing basis, and any resulting changes in estimates could have a material adverse effect on our financial results.

At least annually, we compare the carrying value of our reporting units to their estimated fair value. If the carrying value is greater than the respective estimated fair value, we then determine if the goodwill is impaired, and whether some or all of the goodwill should be written off as a charge to operations, which could have a material adverse effect on our financial results. The estimate of fair value requires various assumptions including the use of projections of future cash flows and discount rates that reflect the risks associated with achieving the future cash flows. Changes in the underlying business could affect these estimates, which in turn could affect the fair value of the reporting unit.

In connection with certain acquisitions, we have accrued the estimated costs of closing certain facilities. Costs for closing leased facilities are estimated based on the condition and remaining lease term of each facility, the expected closure date and an assessment of relevant market conditions, including an estimate of any sub-lease rental income we can reasonably expect to obtain at the time of the acquisition. Costs for closing owned facilities are based on the difference between the estimated net proceeds from a sale of the facility and its carrying value. These estimates are based on an assessment of the condition of the facility, its location and relevant market conditions. The estimated cost of closing our existing facilities is included in merger costs, and the estimated cost of closing acquired facilities is included in goodwill. Merger costs or goodwill could change due to the finalization of plans for closing facilities and completion of valuations, as well as the settlement of lease obligations or sale of owned facilities. A change in market conditions after the acquisition date could change the estimated costs for closing facilities and may result in a charge or credit to merger costs, which could have a material effect on our financial results.

Revenue Recognition

We generate services revenue from availability services, processing services, software maintenance and rentals, professional services and broker/dealer fees. All services revenue is recorded as the services are provided based on the fair value of each element. Fair value is determined based on the sales price of each element when sold separately. Most AS services revenue consists of fixed monthly fees based upon the specific computer configuration or business process for which the service is being provided, and the related costs are incurred ratably over the contract period. When recovering from an interruption, customers generally are contractually obligated to pay additional fees, which typically cover our incremental costs of supporting customers during recoveries. FS services revenue includes monthly fees, which may include a fixed minimum fee and/or variable fees based on a measure of volume or activity, such as the number of accounts, trades or transactions, users or the number of hours of service.

For fixed-fee professional services contracts, services revenue is recorded based upon the estimated percentage of completion, measured by the actual number of hours incurred divided by the total estimated number of hours for the project. When contracts include both professional services and software and there are significant program modifications or customization, installation, systems integration or related services, the professional services and license revenue is combined and recorded based upon the estimated percentage of completion, measured in the manner described above. Changes in the estimated costs or hours to complete the contract and losses, if any, are reflected in the period during which the change or loss becomes known.

License fees result from contracts that permit the customer to use our software products at its site. Generally, these contracts are multiple-element arrangements since they usually provide for professional services and ongoing software maintenance. In these instances, license fees are recognized upon the signing of the contract and delivery of the software if the license fee is known, collection is probable, and there is sufficient evidence of the fair value of each undelivered element. Revenue is recorded when billed when customer payments are extended beyond normal billing terms, or at acceptance when there is significant acceptance, technology or service risk. Revenue also is recorded over the contract period in those instances where the software is bundled together with computer equipment or other post-delivery services, and there is not sufficient evidence of the fair value of each element.

We believe that our revenue recognition practices comply with the complex and evolving rules governing revenue recognition. Future interpretations of existing accounting standards, new standards or changes in our business practices could result in changes in our revenue recognition accounting policies that could have a material effect on our financial results.

Accounting for Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity s financial statements or tax returns. Considerable judgment is required in assessing and estimating these amounts and differences between the actual outcome of these future tax consequences and our estimates could have a material effect on our financial results.

Accounting for Stock-Based Compensation

As of the date of the Transaction (August 11, 2005), the Company adopted SFAS No. 123R (revised 2004), Share-Based Payment (SFAS 123R). Using 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 appropriate service period. Determining the fair value of stock-based awards requires considerable judgment, including estimating the expected term of stock options, expected volatility of our stock price, and the number of awards expected to be forfeited. In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, we estimate the likelihood of achieving the performance goals. Differences between actual results and these estimates could have a material effect on our financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recorded. Our ability to use the deferred tax asset is ultimately based on the actual value of the stock-based award upon exercise. If the actual value is lower than the fair value determined on the date of grant, then there could be an income tax expense for the portion of the deferred tax asset that cannot be used, which could have a material effect on our financial results.

Results of Operations

We evaluate performance of our segments based on operating results before interest, income taxes, amortization of acquisition-related intangible assets, stock compensation and certain other costs (see Note 9 of Notes to Consolidated Financial Statements). Although SunGard continued as the same legal entity after the Transaction, the accompanying consolidated financial statements contained elsewhere in this document relate to periods that precede and succeed the Transaction and are labeled Predecessor and Successor, respectively. We use the Company to refer to the operations of SunGard and subsidiaries for both periods and have prepared our discussion of the results of operations by comparing the mathematical combination of the periods, without pro forma adjustments, of the Successor and Predecessor periods in the year ended December 31, 2005 to the year ended December 31, 2006. Although this presentation does not comply with generally accepted accounting principles (GAAP), we believe it provides a meaningful method of comparison.

The following table sets forth, for the periods indicated, certain amounts included in our Consolidated Statements of Operations and the relative percentage that those amounts represent to consolidated revenue (unless otherwise indicated).

(in millions)	Predecessor January 1 through August 10, 2005	Successor August 11 through December 31, 2005	Combined Year ended December 31, 2005	% of revenue	Successor 2006	% of revenue	Successor 2007	% of revenue
Revenue								
Financial systems (FS)	$ 1,120	$ 786	$ 1,906	48%	$ 2,072	48%	$ 2,500	51%
Higher education (HE)	288	186	474	12%	498	12%	543	11%
Public sector systems (PS)	183	131	314	8%	395	9%	410	8%
Software & processing solutions	1,591	1,103	2,694	67%	2,965	69%	3,453	70%
Availability services (AS)	780	528	1,308	33%	1,358	31%	1,448	30%
	$ 2,371	$ 1,631	$ 4,002	100%	$ 4,323	100%	$ 4,901	100%
Costs and Expenses								
Cost of sales and direct operating	$ 1,119	$ 741	$ 1,860	46%	$ 1,980	46%	$ 2,268	46%
Sales, marketing and administration	456	343	799	20%	915	21%	1,042	21%
Product development	154	96	250	6%	255	6%	271	6%
Depreciation and amortization	141	89	230	6%	238	6%	251	5%
Amortization of acquisition-related intangible assets	84	147	231	6%	399	9%	438	9%
Merger costs	121	18	139	3%	4	%		%
	$ 2,075	$ 1,434	$ 3,509	88%	$ 3,791	88%	$ 4,270	87%
Income from operations								
Financial systems[1]	$ 214	$ 182	$ 396	21%	$ 414	20%	$ 525	21%
Higher education[1]	70	43	113	24%	118	24%	143	26%
Public sector systems[1]	36	28	64	20%	79	20%	84	20%
Software & processing solutions[1]	320	253	573	21%	611	21%	752	22%
Availability services[1]	212	174	386	30%	412	30%	428	30%
Corporate administration	(31)	(36)	(67)	(2)%	(46)	(1)%	(55)	(1)%
Adjusted Income from Operations[2]	501	391	892	22%	977	23%	1,125	23%
Amortization of acquisition-related intangible assets	(84)	(147)	(231)	(6)%	(399)	(9)%	(438)	(9)%
Stock compensation expense	(4)	(29)	(29)	(1)%	(38)	(1)%	(32)	(1)%
Merger costs and other items[3]	(121)[4]	(18)	(139)	(3)%	(8)	%	(24)	%
Income from operations	$ 296	$ 197	$ 493	12%	$ 532	12%	$ 631	13%

(1) Percent of revenue is calculated as a percent of revenue from FS, HE, PS, Software & Processing Solutions, and AS, respectively.

(2)

We evaluate the performance of our segments based on adjusted income from operations, which is income from operations before amortization of acquisition-related intangible assets, stock compensation and certain other costs (see Note 9 of Notes to the Consolidated Financial Statements).

(3) Merger costs and other items include merger costs, management fees paid to the Sponsors, certain purchase accounting adjustments, and, in 2007, an unfavorable arbitration award related to a customer dispute, partially offset by capitalized software development costs.

(4) Stock compensation for the period from January 1, 2005 through August 10, 2005 was caused by the Transaction and is included in merger costs in total costs and expenses.

The following table sets forth, for the periods indicated, certain supplemental revenue data and the relative percentage that those amounts represent to total revenue.

(in millions)	Predecessor January 1 through August 10, 2005	Successor August 11 through December 31, 2005	Combined Year ended December 31, 2005	% of revenue	Successor 2006	% of revenue	2007	% of revenue
Financial Systems								
Services	$ 968	$ 648	$ 1,616	40%	$ 1,792	41%	$ 2,155	44%
License and resale fees	99	104	203	5%	196	5%	232	5%
Total products and services	1,067	752	1,819	45%	1,988	46%	2,387	49%
Reimbursed expenses	53	34	87	2%	84	2%	113	2%
	$ 1,120	$ 786	$ 1,906	48%	$ 2,072	48%	$ 2,500	51%
Higher Education								
Services	$ 233	$ 141	$ 374	9%	$ 409	9%	$ 435	9%
License and resale fees	49	42	91	2%	80	2%	98	2%
Total products and services	282	183	465	12%	489	11%	533	11%
Reimbursed expenses	6	3	9	%	9	%	10	%
	$ 288	$ 186	$ 474	12%	$ 498	12%	$ 543	11%
Public Sector Systems								
Services	$ 160	$ 116	$ 276	7%	$ 329	8%	$ 348	7%
License and resale fees	21	13	34	1%	62	1%	57	1%
Total products and services	181	129	310	8%	391	9%	405	8%
Reimbursed expenses	2	2	4	%	4	%	5	%
	$ 183	$ 131	$ 314	8%	$ 395	9%	$ 410	8%
Software & Processing Solutions								
Services	$ 1,361	$ 905	$ 2,266	57%	$ 2,530	59%	$ 2,938	60%
License and resale fees	169	159	328	8%	338	8%	387	8%
Total products and services	1,530	1,064	2,594	65%	2,868	66%	3,325	68%
Reimbursed expenses	61	39	100	2%	97	2%	128	3%
	$ 1,591	$ 1,103	$ 2,694	67%	$ 2,965	69%	$ 3,453	70%
Availability Services								
Services	$ 765	$ 513	$ 1,278	32%	$ 1,340	31%	$ 1,425	29%
License and resale fees	10	7	17	%	4	%	8	%

Total products and services	775	520	1,295	32%	1,344	31%	1,433	29%
Reimbursed expenses	5	8	13	%	14	%	15	%
	$ 780	$ 528	$ 1,308	33%	$ 1,358	31%	$ 1,448	30%
Total Revenue								
Services	$ 2,126	$ 1,418	$ 3,544	89%	$ 3,870	90%	$ 4,363	89%
License and resale fees	179	166	345	9%	342	8%	395	8%
Total products and services	2,305	1,584	3,889	97%	4,212	97%	4,758	97%
Reimbursed expenses	66	47	113	3%	111	3%	143	3%
	$ 2,371	$ 1,631	$ 4,002	100%	$ 4,323	100%	$ 4,901	100%

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Income from Operations:

Our total operating margin increased from 12% in 2006 to 13% in 2007 because of improved performance within FS and HE.

Financial Systems:

The FS operating margin was 21% for the year ended December 31, 2007, compared to 20% for the prior year period. The $32 million increase in software license fees, improvement in the operating contribution from the growth in professional services revenue and operating leverage from other services revenue were partially offset by the impact of recently acquired businesses.

The most important factors affecting the FS operating margin are:

- the operating margins of recently acquired businesses, which tend to be lower at the outset and improve over a number of years,
- the level of IT spending and its impact on the overall demand for professional services and software license sales,
- the rate and value of contract renewals, new contract signings and contract terminations,
- continued pressure on pricing both in contract renewals and new contract signings,
- the level of trading volumes, and
- the overall condition of the financial services industry and the effect of any further consolidation among financial services firms.

Higher Education:

The HE operating margin was 26% for the year ended December 31, 2007 compared to 24% for the year ended December 31, 2006. Income from operations increased $25 million in 2007 primarily due to a $15 million increase in resale fees, improved operating profit contribution from services revenue, and a $4 million increase in software license fees.

The most important factors affecting the HE operating margin are:

- the rate and value of contract renewals, new contract signings and contract terminations,
- the level of IT spending and its impact on the overall demand for professional services and software license sales, and
- continued pressure on pricing both in contract renewals and new contract signings.

Public Sector:

The PS operating margin was 20% for the year ended December 31, 2007, unchanged from the prior year period. Income from operations increased $5 million in 2007 primarily due to a $3 million increase in software license fees.

The most important factors affecting the PS operating margin are:

- the rate and value of contract renewals, new contract signings and contract terminations,

- the level of IT spending and its impact on the overall demand for professional services and software license sales, and
- continued pressure on pricing both in contract renewals and new contract signings.

Availability Services:

The AS operating margin was 30% for the year ended December 31, 2007, unchanged from the prior year period. Income from operations increased $16 million in 2007 primarily due to improved operating profit contribution.

The most important factors affecting the AS operating margin are:

- the rate and value of contract renewals, new contract signings and contract terminations,
- the timing and magnitude of equipment and facilities expenditures, and
- the trend toward availability solutions utilizing more dedicated resources.

The margin rate of the AS European business is inherently lower than the margin rate of the North American business due primarily to lower economies of scale in the distinct geographic markets served and, to a lesser extent, a higher percentage of always on solutions. However, the differential in the margins has narrowed over the past several years because of operational improvements in Europe and the growing proportion of always on solutions in North America.

Revenue:

Total revenue was $4.90 billion for the year ended December 31, 2007 compared to $4.32 billion for the year ended December 31, 2006. The increase in total revenue in 2007 is due primarily to organic revenue growth of approximately 11%, with trading volumes of one of our trading systems businesses adding three percentage points to the growth rate and changes in currency exchange rates adding approximately two percentage points overall. Excluding these items, organic growth would have been 6%. Organic revenue is defined as revenue from businesses owned for at least one year and further adjusted for the effects of businesses sold in the previous twelve months. When assessing our financial results, we focus on growth in organic revenue because overall revenue growth is affected by the timing and magnitude of acquisitions and dispositions.

Services revenue, which is largely recurring in nature, includes revenue from availability services, processing services, software support and rentals, professional services, broker/dealer fees and hardware rentals. Services revenue increased to $4.36 billion from $3.87 billion, representing approximately 89% of total revenue in 2007 compared to 90% in 2006. The revenue increase of $493 million in 2007 was due to organic revenue growth of $391 million across all segments and the impact of acquired revenue in FS.

Professional services revenue was $886 million and $767 million in 2007 and 2006, respectively. The $119 million increase was due primarily to FS organic and acquired revenue.

Revenue from license and resale fees was $395 million and $342 million for the years ended December 31, 2007 and 2006, respectively, and includes software license revenue of $293 million and $255 million, respectively.

Financial Systems:

FS revenue was $2.50 billion for the year ended December 31, 2007 compared to $2.07 billion for the year ended December 31, 2006. Organic revenue growth was approximately 17% in 2007, with trading volumes of one of our trading systems businesses adding $121 million or five percentage points to the growth rate, which exceeded our expectations for the year and the future. Excluding this business, organic revenue growth was approximately 12% in 2007.

Professional services had the most significant contribution to overall FS growth, having increased $133 million or 29%. Revenue from license and resale fees included software license revenue of $214 million and $182 million, respectively, in 2007 and 2006.

Higher Education:

HE revenue was $543 million for the year ended December 31, 2007 compared to $498 million for the year ended December 31, 2006. Services revenue increased $26 million. In 2007, resale fees were $51 million, an increase of $15 million, and software license fees were $47 million, an increase of $4 million. HE organic revenue growth was approximately 9% in 2007.

Public Sector:

PS revenue was $410 million for the year ended December 31, 2007 compared to $395 million for the year ended December 31, 2006, an increase of 4%, with changes in currency exchange rates adding approximately five percentage points. Organic revenue declined approximately 2%. Software license fees were $28 million in 2007, an increase of $3 million.

Availability Services:

AS revenue was $1.45 billion for the year ended December 31, 2007 compared to $1.36 billion for the year ended December 31, 2006, a 7% increase. AS organic revenue increased approximately 4% in 2007. In North America revenue grew 4% overall and 1% organically as strong growth in managed services was offset by a net decrease in always ready and advanced recovery services. Revenue in Europe grew 17%, 8% excluding the impact of currency exchange rates.

Costs and Expenses:

Cost of sales and direct operating expenses as a percentage of total revenue remained unchanged at 46% for each of the years ended December 31, 2007 and 2006. The increase of $288 million was due primarily to an increase in FS employee-related and consultant expenses supporting increased services revenue and increased costs related to the higher volumes in one of our trading systems businesses.

Sales, marketing and administration expenses remained unchanged as a percentage of total revenue at 21% for each of the years ended December 31, 2007 and 2006. The increase of $127 million was due primarily to FS businesses acquired in the last twelve months and an unfavorable arbitration award related to a customer dispute, partially offset by reduced stock compensation expense and an insurance settlement.

Because AS product development costs are insignificant, it is more meaningful to measure product development expense as a percentage of revenue from software and processing solutions. For the years ended December 31, 2007 and 2006, software development expenses were 8% and 9% of revenue from software and processing solutions, respectively.

Depreciation and amortization as a percentage of total revenue was 5% and 6% for the years ended December 31, 2007 and 2006, respectively. The $13 million increase in 2007 was due primarily to capital expenditures supporting AS.

Amortization of acquisition-related intangible assets was 9% of total revenue for each of the years ended December 31, 2007 and 2006. Amortization of acquisition-related intangible assets increased $39 million in 2007 due primarily to the impact of recent acquisitions and an impairment charge of $10 million.

Interest expense was $645 million for the year ended December 31, 2007 compared to $656 million for the year ended December 31, 2006. The decrease is primarily due to a lower effective interest cost due to the refinancing of our term loan facility in February 2007, partially offset by the additional borrowing on our Term loan prior to the early retirement of the senior floating rate notes and an increase in average borrowings under the revolving credit facility.

Other expense increased $39 million in the year ended December 31, 2007 due primarily to $28 million of expense associated with the early retirement of the $400 million of senior floating rate notes due 2013, of which $19 million represented the retirement premium paid to noteholders.

We believe that our overall effective income tax rate is typically between 38% and 40%. The effective income tax rates for 2007 and 2006 were 5% and 15%, respectively. The lower rates in 2007 and 2006 reflect the combination of our overall net loss in each year, limitations on our ability to utilize foreign tax credits resulting from the large amount of interest expense and, in 2007, changes in enacted tax rates in certain state and foreign jurisdictions. The result is a lower income tax benefit in each of 2007 and 2006 than would otherwise be expected.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Income from Operations:

Despite $147 million of incremental amortization of acquisition-related intangible assets resulting from the Transaction (incremental amortization), a $13 million decrease in software license fees and a $9 million increase in non-cash stock compensation cost in 2006, the operating margin of 12% was unchanged from 2005 because 2005 included the following items that did not recur in 2006: $139 million in merger costs, a $21 million reduction in revenue related to purchase accounting adjustments recorded in connection with the Transaction (the deferred revenue adjustment), and an $11 million one-time charge related to the relocation of an AS facility.

Financial Systems:

The FS operating margin was 20% for the year ended December 31, 2006 compared to 21% for the year ended December 31, 2005. Income from operations increased $18 million in 2006 primarily due to growth in the business as the effect of the 2005 deferred revenue adjustment of $7 million was offset by a $6 million decrease in software license fees.

Higher Education:

The HE operating margin was 24% for each of the years ended December 31, 2006 and 2005. Despite a $9 million decrease in software license fees, income from operations increased $5 million in 2006 primarily due to a $35 million increase in services revenue and the effect of the 2005 deferred revenue adjustment of $3 million.

Public Sector:

The PS operating margin was 20% for each of the years ended December 31, 2006 and 2005. Income from operations increased $15 million in 2006 primarily due to the full-year impact of a 2005 acquisition, improved performance, the 2005 deferred revenue adjustment of $3 million and a $2 million increase in software license fees.

Availability Services:

The AS operating margin was 30% for each of the years ended December 31, 2006 and 2005. Income from operations increased $26 million in 2006 primarily due to a one-time charge of $11 million in 2005 related to the relocation of an AS facility and the 2005 deferred revenue adjustment of $8 million.

Revenue:

Total revenue was $4.32 billion for the year ended December 31, 2006 compared to $4.00 billion for the year ended December 31, 2005. The increase in total revenue in 2006 was due primarily to organic revenue growth. Organic revenue growth was approximately 6% in 2006 compared to approximately 6.5% in 2005.

Services revenue increased to $3.87 billion from $3.54 billion, representing approximately 90% of total revenue in 2006 compared to 89% in 2005. The revenue increase of $326 million in 2006 was due to organic revenue growth of $247 million across all segments, the impact of acquired revenue in FS and PS, and the 2005 deferred revenue adjustment.

Professional services revenue was $767 million and $644 million in 2006 and 2005, respectively. The $123 million increase was due primarily to FS organic and acquired revenue.

Revenue from license and resale fees was $342 million and $345 million for the years ended December 31, 2006 and 2005, respectively, and includes software license revenue of $255 million and $266 million, respectively. The decrease in license fees primarily resulted from a $19 million software license backlog at the end of 2004 which was recognized in 2005.

Financial Systems:

FS revenue was $2.07 billion for the year ended December 31, 2006 compared to $1.91 billion for the year ended December 31, 2005. Services revenue increased $176 million and license and resale fees decreased $7 million. The increase in services revenue is due primarily to organic revenue growth. The decrease in software license fees was across the segment and primarily reflects the impact of $9 million of software license backlog at December 31, 2004 which was recognized as revenue in 2005. Total FS organic revenue increased approximately 7% in 2006, compared to approximately 6% in 2005.

Higher Education:

HE revenue was $498 million for the year ended December 31, 2006 compared to $474 million for the year ended December 31, 2005. Services revenue increased $35 million and license and resale fees decreased $11 million. Software license fees were $43 million in 2006, a decrease of $9 million, which primarily reflects the impact of the software license backlog at December 31, 2004 which was recognized as revenue in 2005. HE organic revenue growth was approximately 4% in 2006.

Public Sector:

PS revenue was $395 million for the year ended December 31, 2006 compared to $314 million for the year ended December 31, 2005. Services revenue increased $53 million and license and resale fees increased $28 million. Software license fees were $26 million in 2006, an increase of $3 million. Resale fees increased $24 million compared to the prior year due primarily to a business acquired in the first quarter of 2005. PS organic revenue growth was approximately 10% in 2006.

Availability Services:

AS revenue was $1.36 billion for the year ended December 31, 2006 compared to $1.31 billion for the year ended December 31, 2005, a 4% increase. AS organic revenue increased approximately 4% in 2006, compared to a 5% increase in 2005.

Costs and Expenses:

Total costs and expenses as a percentage of total revenue were 88% for each of the years ended December 31, 2006 and 2005. The increase of $282 million in total costs was primarily due to increased expenses across all segments and to acquired businesses. Total costs and expenses in 2006 include incremental amortization of $148 million while total costs and expenses in 2005 include $139 million in merger costs, both of which relate to the Transaction.

Cost of sales and direct operating expenses as a percentage of total revenue were 46% for each of the years ended December 31, 2006 and 2005. The increase of $120 million was due primarily to increased costs across all segments, and the increase from acquired PS and FS businesses, offset by a one-time charge in 2005 of $11 million related to the relocation of an AS facility.

Sales, marketing and administration expenses as a percentage of total revenue were 21% for the year ended December 31, 2006 compared to 20% for the year ended December 31, 2005. The increase of $116 million was due primarily to increased costs in FS, to acquired FS businesses and to the increase in non-cash stock compensation of $9 million.

Because AS product development costs are insignificant, it is more meaningful to measure product development expense as a percentage of revenue from software and processing solutions. For each of the years ended December 31, 2006 and 2005, software development expenses were 9% of revenue from software and processing solutions.

Depreciation and amortization was consistent as a percentage of total revenue at 6% for the years ended December 31, 2006 and 2005. The $8 million increase in 2006 was due primarily to the impact of the Transaction as well as from fixed assets acquired in AS.

Amortization of acquisition-related intangible assets was 9% of total revenue for the year ended December 31, 2006 compared to 6% for the year ended December 31, 2005. Amortization of acquisition-related intangible assets increased $168 million in 2006 due to the impact of the Transaction as well as recent acquisitions made by the Company.

In 2005, we recorded merger costs of $139 million in connection with the Transaction. See Note 2 of Notes to Consolidated Financial Statements.

Interest expense was $656 million for the year ended December 31, 2006 compared to $265 million for the year ended December 31, 2005. The increase reflects the full-year impact of the $7.3 billion in debt incurred in connection with the Transaction. Interest income was $14 million for the year ended December 31, 2006 compared to $15 million for the year ended December 31, 2005.

Other expense increased $12 million in the year ended December 31, 2006 due primarily to the losses incurred related to the sale of accounts receivable under our accounts receivable securitization program (see Note 5 of Notes to Consolidated Financial Statements).

We believe that our overall effective income tax rate is typically between 38% and 40%. The effective income tax rates in 2006 and 2005 were 15% and 48%, respectively. The lower rate in 2006 reflects the combination of our overall net loss and limitations on our ability to utilize foreign tax credits resulting from the large amount of interest expense. The result is a lower income tax benefit in 2006 than would otherwise be expected. The higher effective tax rate in 2005 was due to non-deductible merger costs and, to a lesser extent, repatriation of undistributed earnings of foreign subsidiaries under the American Jobs Creation Act of 2004.

Liquidity and Capital Resources:

At December 31, 2007, cash and cash equivalents were $427 million, an increase of $111 million from December 31, 2006. Cash flow from operations was $701 million in the year ended December 31, 2007 compared to cash flow from operations of $491 million in the year ended December 31, 2006. The increase in cash flow from operations is due primarily to more cash provided by working capital and the increase in income from operations.

Net cash used in investing activities was $564 million in the year ended December 31, 2007. Capital expenditures were $312 million in 2006 and $307 million in 2007. We spent $163 million for ten acquisitions during 2006 and $265 million for eleven acquisitions during 2007, including $161 million for the acquisition of Vericenter in the AS business, where acquisitions tend to be larger and less frequent. In February 2008, we completed 2 acquisitions in our FS segment for aggregate cash paid of approximately $84 million.

Net cash used in financing activities was $32 million in 2007 and $48 million in 2006.

In February 2007, we amended our Credit Agreement to reduce the effective interest rates on the term loan facility, increase the size of that facility from $4.0 billion to $4.4 billion, extend the maturity by one year and change certain other terms. In March 2007, we used the additional borrowings to redeem the $400 million in aggregate principal amount of senior floating rate notes due 2013.

We use interest rate swap agreements to manage the amount of our floating rate debt in order to reduce our exposure to variable rate interest payments associated with the senior secured credit facilities. We pay the counterparty a stream of fixed interest payments for the term of the swap, and in turn, receive variable interest payments based on LIBOR (4.90% at December 31, 2007) from the counterparties. The net receipt or payment from the interest rate swap agreements is included in interest expense. A summary of our interest rate swaps follows:

Inception	Maturity	Notional Amount (in millions)	Interest rate paid	Interest rate received
November 2005	February 2009	$ 800	4.85%	LIBOR
February 2006	February 2011	800	5.00%	LIBOR
January 2008	February 2011	750	3.17%	LIBOR
February 2008	February 2010	750	2.71%	LIBOR
Total/Weighted average interest rate		$ 3,100	3.96%	

At December 31, 2007, contingent purchase price obligations that depend upon the operating performance of certain acquired businesses could total $106 million, of which $41 million could be due in the next 12 months. Of this amount, we currently expect to pay approximately $1 million. We also have outstanding letters of credit and bid bonds that total approximately $43 million.

As a result of the Transaction, we are highly leveraged and our debt service requirements are significant. At December 31, 2007, our total indebtedness was $7.49 billion and we had $941 million available for borrowing under the revolving credit facility, after giving effect to certain outstanding letters of credit. In addition, at December 31, 2007, we had outstanding $441 million under our $450 million off-balance sheet accounts receivable securitization program.

At December 31, 2007, our contractual obligations follow (in millions):

	Total	2008	2009 2010	2011 2012	2013 and After
Short-term and long-term debt	$ 7,515	$ 55	$ 364	$ 122	$ 6,974
Interest payments[1]	3,459	583	1,142	1,118	616
Operating leases	818	184	256	163	215
Purchase obligations[2]	207	136	65	5	1
	$ 11,999	$ 958	$ 1,827	$ 1,408	$ 7,806

(1) Interest payments consist of interest on both fixed-rate and variable-rate debt. Variable-rate debt consists primarily of the unhedged portion of the US$ term loan facility (6.90% at December 31, 2007), and the euro denominated portion of the term loan facility ($191 million at 6.73% at December 31, 2007) and the pound sterling denominated portion of the term loan facility ($163 million at 8.30% at December 31, 2007). See Note 5 to Notes to Consolidated Financial Statements. The swap agreements put in place in January and February 2008 will reduce the amount of interest payments in the table above by $27 million in 2008, $44 million in 2009-2010 and $1 million in 2011.

(2) Purchase obligations include our estimate of the minimum outstanding obligations under noncancelable commitments to purchase goods or services.

We expect our cash flows from operations, combined with availability under our revolving credit facility and accounts receivable securitization program, to provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending for a period that includes the next 12 months.

Depending on market conditions, the Company, its Sponsors and their affiliates, may from time to time repurchase debt securities issued by the Company, in privately negotiated or open market transactions, by tender offer or otherwise.

The Transaction

As a result of the Transaction (August 11, 2005), we are highly leveraged and our debt service requirements are significant. Below is a summary of our debt instruments.

Senior Secured Credit Facilities

Borrowings under the senior secured credit facilities bear interest at a rate equal to an applicable margin plus, at our option, either (a) a base rate that is the higher of (1) the prime rate of JPMorgan Chase Bank, N.A. and (2) the federal funds rate plus $^{1}/2$ of 1% or (b) LIBOR based on the costs of funds for deposits in the currency of such borrowing for either 30, 60, 90 or 180 days. The applicable margin for borrowings under the revolving credit facility and the term loan facility may be reduced subject to attaining certain leverage ratios. As of December 31, 2007, we have achieved the leverage ratio necessary to reduce the applicable margin by 0.25% per annum, which will be effective for borrowings under these facilities in March 2008. In addition to paying interest on outstanding principal under the senior secured credit facilities, we pay a commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments. The commitment fee rate is 0.50% per annum and may be reduced subject to attaining certain leverage ratios.

All obligations under the senior secured credit facilities are fully and unconditionally guaranteed by SunGard Holdco LLC and by substantially all domestic, 100% wholly owned subsidiaries.

We are required to repay installments on the loans under the term loan facilities in quarterly principal amounts of 0.25% of their funded total principal amount through March 2013, with the remaining amount payable in May 2013, provided, however, that such date will automatically become February 2014 if all the Senior Notes due 2013 are extended, renewed or refinanced on or prior to May 15, 2013.

The senior secured credit facilities also require us to pay outstanding term loans, subject to certain exceptions, with excess cash flow and proceeds from certain asset sales, casualty and condemnation events, other borrowings and certain financings under our accounts receivable securitization program. Any required payments would be applied pro rata to the term loan lenders and to installments of the term loan facilities in direct order of maturity.

Principal amounts outstanding under the revolving credit facility are due and payable in full at maturity, in August 2011. As of December 31, 2007, we have $941 million available under the revolving credit facility, after giving effect to certain letters of credit.

The senior secured credit facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, our (and most or all of our subsidiaries) ability to incur additional indebtedness or issue preferred stock, pay dividends and distributions on or repurchase capital stock, create liens on assets, enter into sale and leaseback transactions, repay subordinated indebtedness, make investments, loans or advances, make capital expenditures, engage in certain transactions with affiliates, amend certain material agreements, change our lines of business, sell assets and engage in mergers or consolidations. In addition, under the senior secured credit facilities, we are required to satisfy certain total leverage and interest coverage ratios. We were in compliance with all covenants at December 31, 2007.

Senior Notes due 2009 and 2014

On January 15, 2004, we issued $500 million of senior unsecured notes, of which $250 million are 3.75% notes due in January 2009 and $250 million are 4.875% notes due 2014, which are subject to certain standard covenants. As a result of the Transaction, these senior notes became collateralized on an equal and ratable basis with loans under the senior secured credit facilities and are guaranteed by all subsidiaries that guarantee the senior notes due 2013 and senior subordinated notes due 2015. The senior notes due 2009 and 2014 are recorded at $470 million as of December 31, 2007, reflecting the remaining unamortized discount caused by the Transaction. The $30 million discount will be amortized and included in interest expense.

Senior Notes due 2013 and Senior Subordinated Notes due 2015

The senior notes due 2013 are senior unsecured obligations that rank senior in right of payment to future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the senior notes, including the senior subordinated notes. The senior notes (i) rank equally in right of payment to all existing and future senior debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the senior notes, (ii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt, and (iii) are structurally subordinated to all obligations of each subsidiary that is not a guarantor of the senior notes. All obligations under the senior notes are fully and unconditionally guaranteed, subject to certain exceptions, by substantially all domestic, 100% wholly owned subsidiaries of the Company.

The senior subordinated notes due 2015 are unsecured senior subordinated obligations that are subordinated in right of payment to the existing and future senior debt, including the senior secured credit facilities, the senior notes due 2009 and 2014 and the senior notes due 2013. The senior subordinated notes (i) rank equally in right of payment to all future senior subordinated debt, (ii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt, (iii) are structurally subordinated to all obligations of each subsidiary that is not a guarantor of the senior subordinated notes, and (iv) rank senior in right of payment to all future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the senior subordinated notes.

The senior notes due 2013 and senior subordinated notes due 2015 are redeemable in whole or in part, at our option, at any time at varying redemption prices that generally include premiums, which are defined in the applicable indentures. In addition, upon a change of control, we are required to make an offer to redeem all of the senior notes and senior subordinated notes at a redemption price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

The indentures governing the senior notes due 2013 and senior subordinated notes due 2015 contain a number of covenants that restrict, subject to certain exceptions, our ability and the ability of our restricted subsidiaries to incur additional indebtedness 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 senior notes due 2013 or senior subordinated notes due 2015, as applicable, sell certain assets, consolidate, merge, sell or otherwise dispose of all or substantially all of our assets and designate our subsidiaries as unrestricted subsidiaries.

Off-Balance Sheet Debt Accounts Receivable Securitization Program

Under the accounts receivable facility, eligible receivables are sold to third-party conduits through a wholly owned, bankruptcy remote special purpose entity that is not consolidated for financial reporting purposes. We service the receivables and charge a monthly servicing fee at market rates. The third-party conduits are sponsored by certain lenders under our senior secured credit facilities. Additional subsidiaries may become parties to the facility, subject to the satisfaction of specified conditions including the completion of satisfactory due diligence.

Sales of receivables under the facility qualify as sales under applicable accounting pronouncements. Accordingly, receivables totaling $682 million, net of applicable allowances, and the corresponding borrowings, totaling $441 million, are excluded from our consolidated balance sheet as of December 31, 2007. Our retained interest in these receivables is $243 million as of December 31, 2007. Expenses associated with the receivables facilities totaled $29 million for the year ended December 31, 2007, which related to the loss on sale of the receivables and the discount on retained interest, and is recorded in other expense in our consolidated statements of operations. The loss on sale of receivables was determined at the date of transfer based upon the fair value of the assets sold and the interests retained. We estimate fair value based on the present value of expected cash flows. The collection period and discount rate (prime rate of 7.25% at December 31, 2007) are the key assumptions used in this estimate. At December 31, 2007, a 20% adverse change in the assumed collection period or assumed discount rate would not have a material impact on our financial position or results of operations.

Covenant Compliance

Our senior secured credit facilities and the indentures governing our senior notes due 2013 and our senior subordinated notes due 2015 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries ability to, among other things:

- incur additional indebtedness or issue certain preferred shares,
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments,
- make certain investments,
- sell certain assets,
- create liens,
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets, and
- enter into certain transactions with our affiliates.

In addition, pursuant to the Principal Investor Agreement by and among our four parent companies and the Sponsors, we are required to obtain approval from certain Sponsors prior to the declaration or payment of any dividend by us or any of our subsidiaries (other than dividends payable to us or any of our wholly owned subsidiaries).

Under the senior secured credit facilities and the receivables facility, we are required to satisfy and maintain specified financial ratios and other financial condition tests. As of December 31, 2007, we are in compliance with the financial and nonfinancial covenants. Our continued ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those ratios and tests. A breach of any of these covenants could result in a default under the senior secured credit facilities. Upon the occurrence of an event of default under the senior secured credit facilities, the lenders could elect to declare all amounts outstanding under the senior secured credit facilities to be immediately due and payable and terminate all commitments to extend further credit.

Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP measure used to determine our compliance with certain covenants contained in the indentures governing the senior notes due 2013 and senior subordinated notes due 2015 and in our senior secured credit facilities. Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items and other adjustments permitted in calculating covenant compliance under the indentures and our senior secured credit facilities. We believe that including supplementary information concerning Adjusted EBITDA is appropriate to provide additional information to investors to demonstrate compliance with our financing covenants.

The breach of covenants in our senior secured credit facilities that are tied to ratios based on Adjusted EBITDA could result in a default under that agreement and the lenders could elect to declare all amounts borrowed due and payable. Any such acceleration would also result in a default under our indentures. Additionally, under our debt agreements, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is also tied to ratios based on Adjusted EBITDA.

Adjusted EBITDA does not represent net income (loss) or cash flow from operations as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Adjusted EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation. Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters that we may consider not to be indicative of our ongoing operations. In particular, the definition of Adjusted EBITDA in the indentures allows us to add back certain non-cash, extraordinary, unusual or non-recurring charges that are deducted in calculating net income (loss). However, these are expenses that may recur, vary greatly and are difficult to predict. Further, our debt instruments require that it be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or any complete fiscal year.

The following is a reconciliation of net income (loss), which is a GAAP measure of our operating results, to Adjusted EBITDA as defined in our debt agreements, and the calculation of the fixed charge coverage ratio, net debt and net debt to Adjusted EBITDA ratio under the indentures governing the senior notes due 2013 and senior subordinated notes due 2015. The terms and related calculations are defined in the indentures.

(in millions)	Predecessor January 1 through August 10, 2005	Successor August 11 through December 31, 2005	Combined Year ended December 31, 2005	Successor Year ended December 31, 2006	Successor Year ended December 31, 2007
Net income (loss)	$ 146	$ (29)	$ 117	$ (118)	$ (60)
Interest expense, net	8	242	250	642	626
Taxes	142	(33)	109	(21)	(3)
Depreciation and amortization	225	236	461	637	689
EBITDA	521	416	937	1,140	1,252
Purchase accounting adjustments(1)		19	19	(2)	14
Non-cash charges(2)	61	30	91	41	37
Unusual or non-recurring items(3)	61	21	82	30	43
Restructuring charges or reserves(4)	12		12		
Acquired EBITDA, net of disposed EBITDA(5)	17		17		12
Other(6)	2	8	10	16	38
Adjusted EBITDA Senior Secured Credit Facilities	674	494	1,168	1,225	1,396
Loss on sale of receivables(7)		18	18	29	29
Adjusted EBITDA Senior Notes due 2013 and Senior Subordinated Notes due 2015	$ 674	$ 512	$ 1,186	$ 1,254	$ 1,425

(1) Purchase accounting adjustments include the adjustment of deferred revenue and lease reserves to fair value at the dates of the Transaction and subsequent acquisitions made by the Company.

(2) Non-cash charges include stock-based compensation resulting from the acceleration of vesting of stock options and restricted stock under APB 25 due to the Transaction, stock-based compensation accounted for under SFAS 123R (see Note 6 of Notes to Consolidated Financial Statements) and loss on the sale of assets.

(3) Unusual or non-recurring items include merger costs associated with the Transaction, debt refinancing costs, payroll taxes and certain compensation, an unfavorable arbitration award related to a customer dispute, an insurance recovery and other expenses associated with both the Transaction and acquisitions made by the Company.

(4) Restructuring charges or reserves include the relocation of a leased Availability Services facility in North Bergen, New Jersey to an expanded facility in Carlstadt, New Jersey.

(5) Acquired EBITDA net of disposed EBITDA reflects the EBITDA impact of significant businesses that were acquired or disposed of during the period as if the acquisition or disposition occurred at the beginning of the period.

(6) Other includes management fees paid to the Sponsors, gains or losses related to fluctuation of foreign currency exchange rates impacting the foreign-denominated debt, franchise and similar taxes reported in operating expenses, offset by interest charges relating to the accounts receivable securitization program.

(7) The loss on sale of receivables under the receivables facility is added back in calculating Adjusted EBITDA for purposes of the indentures governing the senior notes due 2013 and the senior subordinated notes due 2015 but is not added back in calculating Adjusted EBITDA for purposes of the senior secured credit facilities.

Our covenant requirements and actual ratios for the year ended December 31, 2007 are as follows:

	Covenant Requirements	Actual Ratios
Senior secured credit facilities(1)		
Minimum Adjusted EBITDA to consolidated interest expense ratio	1.60x	2.37x
Maximum total debt to Adjusted EBITDA	7.25x	5.11x
Senior Notes due 2013 and Senior Subordinated Notes due 2015(2)		
Minimum Adjusted EBITDA to fixed charges ratio required to incur additional debt pursuant to ratio provisions	2.00x	2.38x

(1) Our senior secured credit facilities require us to maintain an Adjusted EBITDA to consolidated interest expense ratio starting at a minimum of 1.60x for the four-quarter period ended December 31, 2007 and increasing over time to 1.65x by the end of 2008 and to 2.20x by the end of 2013. Consolidated interest expense is defined in the senior secured credit facilities as consolidated cash interest expense less cash interest income further adjusted for certain non-cash or nonrecurring interest expense and the elimination of interest expense and fees associated with our receivables facility. Beginning with the four-quarter period ending December 31, 2007, we are required to maintain a maximum consolidated total debt to Adjusted EBITDA ratio of 7.25x and decreasing over time to 6.75x by the end of 2008 and to 4.0x by the end of 2013. Consolidated total debt is defined in the senior secured credit facilities as total debt less certain indebtedness and further adjusted for cash and cash equivalents on our balance sheet in excess of $50 million. Failure to satisfy these ratio requirements would constitute a default under the senior secured credit facilities. If our lenders failed to waive any such default, our repayment obligations under the senior secured credit facilities could be accelerated, which would also constitute a default under our indentures.

(2) Our ability to incur additional debt and make certain restricted payments under our indentures, subject to specified exceptions, is tied to an Adjusted EBITDA to fixed charges ratio of at least 2.0x, except that we may incur certain debt and make certain restricted payments and certain permitted investments without regard to the ratio, such as our ability to incur up to an aggregate principal amount of $6.15 billion under credit facilities (inclusive of amounts outstanding under our senior credit facilities from time to time; as of December 31, 2007, we had $4.34 billion outstanding under our term loan facilities and available commitments of $941 million under our revolving credit facility), to acquire persons engaged in a similar business that become restricted subsidiaries and to make other investments equal to 6% of our consolidated assets. Fixed charges is defined in the indentures governing the Senior Notes due 2013 and the Senior Subordinated Notes due 2015 as consolidated interest expense less interest income, adjusted for acquisitions, and further adjusted for non-cash interest and the elimination of interest expense and fees associated with our accounts receivable securitization program.

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 was effective as of January 1, 2007. FIN 48 did not have a material impact on the consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles. SFAS 157 is effective as of January 1, 2008. In February 2008, the FASB issued Staff Positions No. 157-1 and No. 157-2 which partially defer the effective date of SFAS No. 157 for one year for certain nonfinancial assets and liabilities and remove certain leasing transactions from its scope. We are currently evaluating the requirements of this standard, but would not expect SFAS No. 157 to have a material impact on our consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, (SFAS 158), Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R). Under SFAS 158, companies must recognize a net liability or asset to report the funded status of their defined benefit pension and other postretirement benefit plans (OPEB plans) on their balance sheets. SFAS 158 also requires certain additional annual disclosures related to pension and OPEB plans. SFAS 158 did not have a material impact on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, (SFAS 141R), which changes accounting principles for business acquisitions. SFAS No. 141R requires the recognition of all 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 No. 141R is effective for business combinations and adjustments to all acquisition-related deferred tax asset and liability balances occurring after December 31, 2008. We are currently evaluating the requirements of this standard; however, this standard could have a significant impact on our 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. We have not yet determined the impact of adopting SFAS 160 on the consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

We do not use derivative financial instruments for trading or speculative purposes. We have invested our available cash in short-term, highly liquid financial instruments, with a substantial portion having initial maturities of three months or less. When necessary, we have borrowed to fund acquisitions.

At December 31, 2007, we had total debt of $7.49 billion, including $4.37 billion of variable rate debt. We entered into two interest rate swap agreements which fixed the interest rates for $1.6 billion of our variable rate debt. Our two swap agreements each have a notional value of $800 million, effectively fix our interest rates at 4.85% and 5.00%, respectively, and expire in February 2009 and February 2011, respectively. In January 2008, we entered into a three year interest rate swap agreement for a notional amount of $750 million, under which we are required to pay the counterparty a stream of fixed rate interest payments of 3.17%, and, in turn, receive variable interest payments based on LIBOR from the counterparty. In February 2008, we entered into a two year interest rate swap agreement for an additional notional amount of $750 million, under which we are required to pay the counterparty a stream of fixed rate interest payments of 2.71%, and, in turn, receive variable interest payments based on LIBOR from the counterparty. Our remaining variable rate debt of $1.27 billion is subject to changes in underlying interest rates and our interest payments will also change as a result of market changes. During the period when our interest rate swap agreements are effective, a 1% change in interest rates would result in a change in interest of approximately $13 million per year. Upon the expiration of interest rate swap agreements in February in each of 2009, 2010 and 2011, a 1% change in interest rates would result in a change in interest of approximately $21 million, $28 million and $44 million per year, respectively.

In addition, at December 31, 2007, one of our U.K. subsidiaries, whose functional currency is the pound sterling, had $191 million of debt which is denominated in euros. A 10% change in the euro-pound sterling exchange rate would result in a charge or credit in the statement of operations of approximately $20 million.

During 2007, approximately 29% of our revenue was from customers outside the United States with approximately 81% of this revenue coming from customers located in the United Kingdom and Continental Europe. Only a portion of the revenue from customers outside the United States is denominated in other currencies, the majority being pounds sterling and euros. Revenue and expenses of our foreign operations are generally denominated in their respective local currencies. We continue to monitor our exposure to currency exchange rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SunGard Data Systems Inc.

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Management s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Management conducted an assessment of the Company s internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control Integrated Framework. Based on the assessment, management concluded that, as of December 31, 2007, the Company s internal control over financial reporting is effective.

This annual report does not include an attestation report of the Company s independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this annual report.

SunGard Data Systems Inc.

Reports of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of SunGard Data Systems Inc.:

In our opinion, the accompanying consolidated statements of operations, of stockholder s equity and of cash flows present fairly, in all material respects, the results of operations and cash flows of SunGard Data Systems Inc. (predecessor) for the period January 1, 2005 to August 10, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

March 8, 2006

To the Board of Directors and Stockholder of SunGard Data Systems Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of stockholder s equity and of cash flows present fairly, in all material respects, the financial position of SunGard Data Systems Inc. (successor) at December 31, 2007 and 2006, and the results of its operations and its cash flows for the period from August 11, 2005 to December 31, 2005 and for the years ended December 31, 2007 and 2006, respectively, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

March 7, 2008

SunGard Data Systems Inc.

Consolidated Balance Sheets

(in millions except share and per-share amounts)	December 31, 2006	December 31, 2007
Assets		
Current:		
Cash and cash equivalents	$ 316	**$ 427**
Trade receivables, less allowance for doubtful accounts of $14 and $12	216	**290**
Earned but unbilled receivables	63	**63**
Prepaid expenses and other current assets	145	**166**
Clearing broker assets	420	**469**
Retained interest in accounts receivable sold	275	**243**
Deferred income taxes	34	**32**
Total current assets	1,469	**1,690**
Property and equipment, less accumulated depreciation of $304 and $533	773	**852**
Software products, less accumulated amortization of $304 and $542	1,386	**1,266**
Customer base, less accumulated amortization of $266 and $475	2,857	**2,745**
Other tangible and intangible assets, less accumulated amortization of $13 and $21	216	**179**
Trade name	1,019	**1,022**
Goodwill	6,951	**7,086**
Total Assets	$ 14,671	**$ 14,840**
Liabilities and Stockholder s Equity		
Current:		
Short-term and current portion of long-term debt	$ 45	**$ 55**
Accounts payable	80	**85**
Accrued compensation and benefits	224	**271**
Accrued interest expense	164	**148**
Other accrued expenses	275	**390**
Clearing broker liabilities	376	**434**
Deferred revenue	762	**825**
Total current liabilities	1,926	**2,208**
Long-term debt	7,394	**7,430**
Deferred income taxes	1,777	**1,646**
Total liabilities	11,097	**11,284**
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	3,664	**3,694**
Accumulated deficit	(147)	**(207)**
Accumulated other comprehensive income	57	**69**
Total stockholder s equity	3,574	**3,556**
Total Liabilities and Stockholder s Equity	$ 14,671	**$ 14,840**

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

SunGard Data Systems Inc.

Consolidated Statements of Operations

(in millions)	Predecessor January 1 through August 10, 2005	Successor August 11 through December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2007
Revenue:				
Services	$ 2,126	$ 1,418	$ 3,870	**$ 4,364**
License and resale fees	179	166	342	**396**
Total products and services	2,305	1,584	4,212	**4,760**
Reimbursed expenses	66	47	111	**141**
	2,371	1,631	4,323	**4,901**
Costs and expenses:				
Cost of sales and direct operating	1,119	741	1,980	**2,268**
Sales, marketing and administration	456	343	915	**1,042**
Product development	154	96	255	**271**
Depreciation and amortization	141	89	238	**251**
Amortization of acquisition-related intangible assets	84	147	399	**438**
Merger costs	121	18	4	
	2,075	1,434	3,791	**4,270**
Income from operations	296	197	532	**631**
Interest income	9	6	14	**19**
Interest expense and amortization of deferred financing fees	(17)	(248)	(656)	**(645)**
Other expense		(17)	(29)	**(68)**
Income (loss) before income taxes	288	(62)	(139)	**(63)**
Provision (benefit) for income taxes	142	(33)	(21)	**(3)**
Net income (loss)	$ 146	$ (29)	$ (118)	**$ (60)**

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

SunGard Data Systems Inc.

Consolidated Statements of Cash Flows

(in millions)	Predecessor January 1 through August 10, 2005	Successor August 11 through December 31, 2005	Year ended December 31, 2006	Year ended December 31, 2007
Cash flow from operations:				
Net income (loss)	$ 146	$ (29)	$ (118)	**$ (60)**
Reconciliation of net income (loss) to cash flow from operations:				
Depreciation and amortization	225	236	637	**689**
Deferred income tax benefit	(14)	(57)	(86)	**(120)**
Stock compensation expense	59	29	38	**32**
Amortization of deferred financing costs and debt discount		20	40	**46**
Other noncash debits (credits)	(17)	(13)	(2)	**14**
Accounts receivable and other current assets	79	293	(47)	**(20)**
Accounts payable and accrued expenses	106	171	(4)	**71**
Clearing broker assets and liabilities, net	(3)	(5)	(13)	**9**
Deferred revenue	(10)	60	46	**40**
Cash flow from operations	571	705	491	**701**
Investment activities:				
Cash paid for acquired businesses, net of cash acquired	(419)	(119)	(163)	**(265)**
Cash paid for property and equipment and software	(155)	(119)	(312)	**(307)**
Acquisition of SunGard		(11,577)		
Other investing activities	5	15	6	**8**
Cash used in investment activities	(569)	(11,800)	(469)	**(564)**
Financing activities:				
Cash received from other borrowings, net of fees		5		**591**
Cash used to repay debt	(57)	(382)	(48)	**(623)**
Cash received from borrowings for the Transaction		7,333		
Investment by parent		3,450		
Cash received from stock option and award plans	386			
Cash provided by (used in) financing activities	329	10,406	(48)	**(32)**