

SunGard iWORKS P&C (US) Inc.

Form 424B3

March 24, 2014

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FILED PURSUANT TO RULE 424(B)(3)

File Number 333-190275

SUNGARD DATA SYSTEMS INC.

SUPPLEMENT NO. 9 TO

MARKET-MAKING PROSPECTUS DATED AUGUST 8, 2013

THE DATE OF THIS SUPPLEMENT IS MARCH 24, 2014

ON MARCH 21, 2014, SUNGARD DATA SYSTEMS INC. FILED THE ATTACHED  
ANNUAL REPORT ON FORM 10-K FOR THIS YEAR ENDED DECEMBER 31, 2014

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**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, 2013**

**or**

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**for the transition period from to**

**Commission File Numbers:**

**SunGard Capital Corp. 000-53653**

**SunGard Capital Corp. II 000-53654**

**SunGard Data Systems Inc. 001-12989**

**SunGard® Capital Corp.**

**SunGard® Capital Corp. II**

**SunGard® Data Systems Inc.**

**(Exact name of registrant as specified in its charter)**

|                                                            |                                             |
|------------------------------------------------------------|---------------------------------------------|
| <b>Delaware</b>                                            | <b>20-3059890</b>                           |
| <b>Delaware</b>                                            | <b>20-3060101</b>                           |
| <b>Delaware</b>                                            | <b>51-0267091</b>                           |
| <b>(State of incorporation)</b>                            | <b>(I.R.S. Employer Identification No.)</b> |
| <b>680 East Swedesford Road, Wayne, Pennsylvania 19087</b> |                                             |

**(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:**

**Restricted Stock Units Granting Conditional Rights to Units Consisting of:**

**Class A Common Stock of SunGard Capital Corp., par value \$0.001 per share,**

**Class L Common Stock of SunGard Capital Corp., par value \$0.001 per share, and**

**Preferred Stock of SunGard Capital Corp. II, par value \$0.001 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

SunGard Capital Corp.

Yes ☐ No ☒

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

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

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

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

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.

|                       |                                     |                          |                                     |                           |                                     |
|-----------------------|-------------------------------------|--------------------------|-------------------------------------|---------------------------|-------------------------------------|
| SunGard Capital Corp. | <input checked="" type="checkbox"/> | SunGard Capital Corp. II | <input checked="" type="checkbox"/> | SunGard Data Systems Inc. | <input checked="" type="checkbox"/> |
|-----------------------|-------------------------------------|--------------------------|-------------------------------------|---------------------------|-------------------------------------|

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

|                           |                                                  |                                            |                                                           |                                                    |
|---------------------------|--------------------------------------------------|--------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| SunGard Capital Corp.     | Large accelerated filer <input type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input checked="" type="checkbox"/> | Smaller reporting company <input type="checkbox"/> |
| SunGard Capital Corp. II  | Large accelerated filer <input type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input checked="" type="checkbox"/> | Smaller reporting company <input type="checkbox"/> |
| SunGard Data Systems Inc. | Large accelerated filer <input type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input checked="" type="checkbox"/> | Smaller reporting company <input type="checkbox"/> |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

|                          |                              |                                        |
|--------------------------|------------------------------|----------------------------------------|
| SunGard Capital Corp.    | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| SunGard Capital Corp. II | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

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SunGard Data Systems Inc.

Yes ☐ No ☒

The aggregate market value of the registrants' voting stock held by nonaffiliates is zero. The registrants are privately held corporations.

The number of shares of the registrants' common stock outstanding as of March 1, 2014:

|                            |                                                                                          |
|----------------------------|------------------------------------------------------------------------------------------|
| SunGard Capital Corp.:     | 257,045,116 shares of Class A common stock and 28,560,566 shares of Class L common stock |
| SunGard Capital Corp. II:  | 100 shares of common stock                                                               |
| SunGard Data Systems Inc.: | 100 shares of common stock                                                               |

**DOCUMENTS INCORPORATED BY REFERENCE**

**None.**

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**Explanatory Note**

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

**Forward-Looking Statements**

Certain of the matters we discuss in this Report 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, estimates or anticipates, or similar expressions which concern our strategy, plans 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 describe 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.



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**PART I**

**ITEM 1. BUSINESS**

We are one of the world's leading software and technology services companies. We provide software and technology services to financial services, education and public sector organizations. We also provide disaster recovery services, managed services, information availability consulting services and business continuity management software. We serve approximately 23,000 customers in more than 70 countries. Our high quality software solutions, excellent customer support and specialized technology services result in strong customer retention rates across all of our business segments, and create long-term customer relationships.

We were acquired in August 2005 in a leveraged buy-out (the "LBO") by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG. As a result of the LBO, we are highly leveraged and our equity is not publicly traded.

We operate our business in three segments: Financial Systems ("FS"), Availability Services ("AS") and Public Sector & Education ("PS&E").

FS provides mission-critical software and technology services to virtually every type of financial services institution, including, buy-side and sell-side institutions, third-party administrators, wealth managers, retail banks, insurance companies, corporate and government treasuries and energy trading firms. Our broad range of complementary software solutions and associated technology services help financial services institutions automate the business processes associated with trading, managing portfolios and accounting for investment assets.

AS provides disaster recovery services, managed services, information availability consulting services and business continuity management software to approximately 7,000 customers in virtually all industries across North America and Europe. With approximately five million square feet of data center and operations space, AS assists information technology ("IT") organizations to prepare for and recover from emergencies by helping them optimize their computing uptime. Through direct sales and channel partners, AS helps organizations ensure their people and customers have uninterrupted access to the information systems they need in order to conduct business.

As disclosed in the Form 8-K filed on January 24, 2014, we intend to split-off the AS business on a tax-free basis to our existing stockholders, including our private equity owners. The split-off is expected to be completed as early as the end of March 2014, subject to the satisfaction of various customary conditions, including the receipt of financing for AS, opinions of counsel as to the tax-free nature of the split-off and related transactions, and final approval from our board of directors.

The split-off of AS from SunGard will result in the strategic separation of SunGard into two financially strong, independent companies and will bring greater clarity and alignment to each company's mission. While both businesses have been part of SunGard for a long time, they serve vastly different customer needs and have very different business profiles, with distinct capital requirements, sales forces and competitors. With the split-off of AS, AS can, among other things, provide its key managers with incentives that directly align them with the AS business, allowing AS to retain and motivate those managers and attract future key AS managers. The two more focused and autonomous companies each with significant size, capabilities and financial strength will be better positioned to drive long-term growth and value for customers, employees and investors.

PS&E provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, public and private schools, utilities, nonprofits and other public sector institutions.

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We provide a large portfolio of products to customers who are diversified both geographically and by industry. Our base of 23,000 customers includes an extensive list of financial services firms, including most of the world's largest financial institutions. In addition, we serve corporate and government treasury departments, energy companies, school districts, local governments and nonprofit organizations. During each of the past three fiscal years, no single customer has accounted for more than 3% of total revenue.

In many cases, our products and services are offered under multi-year contracts, providing good visibility to revenue trends and allowing us to manage spending proactively. On average, for the past three fiscal years, services revenue has been approximately 91% of total revenue. About 80% of services revenue is highly recurring and is generated from (1) software-related services including software maintenance, support, rentals and hosting, and (2) recovery-related services and managed IT services. The remaining services revenue includes (1) professional services, which are mainly generated from implementation and consulting services in connection with the sale of our products and (2) broker/dealer fees.

To the extent required by ITEM 1 of Form 10-K, financial information regarding our segments is included in Note 15 of the Notes to Consolidated Financial Statements.

## **Segment Overview**

### ***Financial Systems***

FS provides mission critical software and technology services to financial services institutions, corporate and government treasury departments and energy companies. Our solutions automate the many complex business processes associated with trading, managing investment portfolios and accounting for investment assets, and also address the processing requirements of a broad range of users within the financial services sector. In addition, we provide technology services that focus on application implementation and integration of these solutions, custom software development and application management. We continue to invest in our solutions to add new features, process new types of financial instruments, meet new regulatory requirements, incorporate new technologies and meet evolving customer needs on a global basis.

We deliver many of our 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 solutions by licensing the software to customers for use on their own computers and premises.

Our FS business offers software and technology services to a broad range of users, including asset managers, chief financial officers, compliance officers, custodians, fund administrators, insurers and reinsurers, market makers, plan administrators, registered investment advisors, treasurers, traders and wealth managers. FS is grouped into complementary solutions that focus on the specific requirements of our customers, as follows:

*Asset Management:* We offer solutions that help institutional investors, hedge funds, private equity firms, fund administrators and securities transfer agents improve both investment decision-making and operational efficiency, while managing risk and increasing transparency. Our solutions support every stage of the investment process, from research and portfolio management, to valuation, risk management, compliance, investment accounting, transfer agency and client reporting.

*Banking:* Our banking solutions help retail, corporate and private banks to better manage their customers, capital and staff. We provide integrated solution suites for asset/liability management, budgeting and planning, regulatory compliance and profitability. We offer retail banks a range of solutions helping them address core banking, online and

mobile banking, and customer and card management requirements. We also provide front-to-back-office solutions for equipment financing organizations.

*Brokerage:* Our brokerage solutions provide trade execution and network solutions to financial institutions, corporations and municipalities in North America, Europe and other global markets. Our trade execution and network solutions help both buy- and sell-side firms improve execution quality, decrease overall execution costs and address today's trade connectivity challenges.

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*Capital Markets:* Our capital markets solutions help banks, broker/dealers, futures commission merchants and other financial institutions to increase the efficiency, transparency and control of their trading operations across multiple platforms, asset classes and markets. Supporting the entire trade lifecycle from front-to-back, these solutions provide everything from connectivity, execution services and risk management to securities finance, collateral management and compliance. Additionally, these solutions help customers to create and manage consolidated views across all their positions and risks.

*Corporate Liquidity:* Our corporate liquidity solutions help chief financial officers and treasurers derive maximum value from working capital by increasing visibility to cash, reducing risk and improving communication and response time between a company's buyers, suppliers, banks and other stakeholders. Our end-to-end collaborative financial management framework helps bring together receivables, treasury and payments for a single view of cash and risk, and to optimize business processes for enhanced liquidity management.

*Energy:* Our energy and commodities solutions help energy companies, hedge funds and financial services firms to compete efficiently in global energy and commodities markets by streamlining and integrating the trading, risk management and operations of physical commodities and their associated financial instruments.

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

*Wealth & Retirement Administration:* We provide wealth management solutions that help banks, trust companies, brokerage firms, insurance firms, benefit administrators and independent advisors acquire, service and grow their client relationships. We provide solutions for client acquisition, transaction management, trust accounting and recordkeeping that can be deployed as stand-alone products, or as part of an integrated wealth management platform.

FS also has a global services organization that delivers business consulting, technology, managed services and professional services for financial services institutions, energy companies and corporations. Leveraging our global delivery model, our consultants and developers help customers manage their complex data needs, optimize end-to-end business processes and assist with systems integration, while providing full application development, maintenance, testing and support services.

## ***Availability Services***

AS helps customers improve the resilience of their mission critical data systems by designing, implementing and managing cost-effective solutions to address enterprise IT availability needs. As the pioneer of commercial IT disaster recovery in the 1970s, we believe our specialization in information availability solutions, together with our vast experience, technology expertise, resource management capabilities, vendor neutrality and diverse service offerings, have uniquely positioned us to help meet customers' varied needs in an environment in which businesses are critically dependent on the availability of data and IT systems. Our comprehensive portfolio of services extends from advanced recovery services and cloud-based recovery to always-on production environment and managed infrastructure services including planning and provisioning of enterprise cloud computing and platforms. We offer highly resilient data center space in which customers can maintain their own IT equipment, as well as shared and dedicated workplace environments for use by customers' mission critical employees whose own workspaces are impacted by disasters. Additionally, we provide business continuity management software and consulting services to help customers design, implement and maintain plans to protect their central business systems. To serve our approximately 7,000 customers, we have approximately 5,000,000 square feet of data center and operations space at over 90 facilities

in ten countries. Since inception, we have helped customers recover from unplanned interruptions resulting from major disasters including hurricane Sandy in 2012, the Gulf Coast hurricanes in 2008, widespread flooding in the United Kingdom in 2007, hurricane Katrina and the Gulf Coast hurricanes in 2005, the Florida hurricanes in 2004, the Northeast U.S. blackout in 2003, and the terrorist attacks of September 11, 2001, as well as thousands of more localized disruptions such as power outages, fires, or civil unrest.

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We provide the following four categories of services: recovery services, managed services, consulting services and business continuity management software. The combination of all of these services provides our customers with a complete set of IT operations and information availability management solutions. While traditional third-party shared recovery infrastructure and data center colocation remain important and significant components of our business, over the past three years we have been shifting our emphasis toward more integrated solutions, such as our Recovery-as-a-Service (RaaS) portfolio including our Managed Recovery Program and our Recover2Cloud<sup>®</sup> solutions. These solutions are tailored to fully manage customers' production environments, and Cloud infrastructures including our Enterprise Cloud Services, Private Cloud Services, and most recently Public Cloud Services.

*Recovery Services:* The Recovery Services business is a recurring revenue business. Customers enter into contracts that provide the right to access our data centers in the event of natural disasters, power failures or other events which prevent customers from accessing their own facilities. Contracts typically cover multiple years, providing a recurring revenue stream. Our data centers are highly leveraged because not all customers need access to the data centers at the same time. Recovery Services revenue has been declining due to customers' shifting from traditional backup and recovery solutions to (i) in-house solutions; (ii) disk-based, (iii) cloud-based and (iv) managed recovery solutions. At the same time, demand has been increasing for outsourced management of IT operations and applications. In this environment we have introduced Recovery as a Service ( RaaS ) which includes our Managed Recovery Program ( MRP ) and Recover2Cloud<sup>®</sup>. These new solutions bring our expertise to customers' disaster recovery operations.

*Managed Services:* The Managed Services business is also a recurring revenue business. Customers enter into multi-year contracts for managed IT services where we provide co-location space, power and internet access in secure data centers. This allows customers to avoid capital outlay required to own and the expense of maintaining data center space for their applications. In addition to colocation services, we provide certain managed IT services that add value to the colocation arrangement, such as network management, data backup services, operating system management and application management. We also provide Cloud based solutions, which provide IT infrastructure and operational support for customers' production needs in a secure environment.

*Consulting Services:* Our primary consulting practice areas are IT Service Continuity, Security and Data Protection, Cloud and Infrastructure Transformation and Business Continuity Management. Each customer solution is an engagement based on an agreed upon statement of work. Contracts are fixed price and revenue is recognized on a percent of completion basis as work is performed.

*Business Continuity Management Software:* Our software business revenue is principally a recurring revenue business. Maintenance revenue is recognized ratably over the contract period. Recent releases of the software product are delivered as a Software as a Service ( SAAS ). Customers pay a monthly fee for the right to access and use the software. The Company hosts and manages the application for clients. The most recent software release is the SunGard Availability Services Assurance<sup>CM</sup> ( Assurance ) application. Assurance provides customers a platform through which they can develop comprehensive business continuity plans. The continuity plan provides customers with a critical tool that captures existing IT processes and application information and allows the customer the ability to develop a roadmap to be used to minimize down time in the event of a disaster or data security threat.

Availability Services operates across the Americas, the UK and in Europe. With locations in the UK, Ireland, France, Sweden, Belgium and Luxembourg, we have considerable ability to support customers from the European Union. In addition, we have Indian operations which provide workforce continuity services out of three locations.

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### ***Public Sector & Education***

Public Sector & Education provides mission critical software and technology services to domestic governments at all levels and K-12 learning institutions.

*K-12 Education:* We provide administrative information software solutions and related implementation and support services for K-12 school districts and private schools throughout the United States. Our software and technology services help school districts improve the efficiency of their operations and use Web-based technologies to serve their constituents. We offer a fully integrated suite of products for student information, learning management, special education, financial management and human resource activities.

*Public Sector:* PS provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, utilities and public sector institutions, as well as nonprofits. Our public administration solutions support a range of specialized enterprise resource planning and administrative processes for functions such as accounting, human resources, payroll, utility billing, land management and managed IT services. Public safety and justice agencies use our solutions to manage emergency dispatch operations, citizen and incident records, mobile computing in the field, and the operation of courts and jails. Our e-Government solutions help local governments to leverage the Internet and wireless technologies to serve their constituents.

### **Product Development and Maintenance**

Our global technology staff continually enhance and support our solutions to meet the needs of our customers for efficiency and competitive advantage. We employ approximately 5,000 developers across a network of international development sites. Our ability to attract, motivate and retain these development resources is a key differentiator for us and ultimately a source of our organic growth.

We are constantly investing to develop the technologies that are most important to our customers including such things as advanced user interfaces for browsers, tablets and mobile devices as well as advanced cloud-based architectures. In addition, our extensive current solutions give us a unique ability to bring advanced risk management abilities to market along with an ability to leverage the Big Data trend in the industry to provide business intelligence and predictive analytics.

In 2013, we continued to intentionally exit certain slower growing products or markets and shift our investments to new product development. In 2012 and 2013, we spent approximately \$402 million and \$409 million, respectively, on software development and maintenance, of which we capitalized \$22 million and \$43 million, respectively. Total software development and maintenance, net of capitalized software, was 9% of total revenue in both 2012 and 2013.

### **Sales and Marketing**

We operate a global sales and distribution network, largely through a direct sales approach. Our FS solutions are generally sold on a global basis with certain products adapted to specific geographic markets. The majority of our FS revenue is sourced from North America and Western Europe, although much of our growth is coming from the emerging markets. The emerging markets include China, India, Southeast Asia, Middle East, Africa, Latin America and Eastern Europe. Our AS solutions are marketed primarily in North America and Europe. Our K-12 and PS solutions are marketed in North America.

### **Brand and Intellectual Property**



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,

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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 number of patents and patent applications pending as well as a few registrations of our copyrights. We will continue to apply for software and business method patents on a case-by-case basis and will monitor ongoing developments in the evolving software and business method patent field (see ITEM 1A RISK FACTORS).

We own registered trademarks for the SunGard name and own or have applied for trademark registrations for many of our services and software products. Upon the split-off of Availability Services, we expect AS to continue to use the SunGard Availability Services name, which does not include the right to use the SunGard name or its derivatives.

## **Competition**

Because of the breadth and highly technical nature of our solutions, most of the areas in which we compete have a relatively small number of significant competitors.

**Financial Systems.** In our FS business, we compete with numerous software and services companies who generally provide point solutions to address specific customer needs. While many of these companies can compete in a particular sector of the financial services industry, we believe that none of them have the ability to compete against the entire spectrum of SunGard's solutions in the various sectors that we serve. In addition, few companies have the global reach that SunGard provides. To some degree, we also face competition from the internal IT resources of our customers and prospects. However, increased regulation is driving customers to use industry proven solutions such as those offered by SunGard. We believe that we compete effectively in the market through our innovative solutions, dedicated resources, quality of service and breadth of offerings. In addition, we believe that our leadership, reputation and experience are important competitive advantages.

**Availability Services.** In our AS business, the greatest source of competition for recovery and advanced recovery services is in-house dedicated solutions that the enterprise develops and maintains internally instead of purchasing from a services provider. The declining cost of infrastructure has made these solutions more accessible, yet the growing complexity of IT environments driven by cloud and virtualization has increased the challenge of sustaining in-house business continuity programs. Historically, the single largest commercial competitor for recovery and advanced recovery services has been IBM Corporation, which, like us, currently provides the full continuum of information availability services. We also face moderate 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 companies providing managed services, including cloud and data center service providers, is fragmented across various competitor types, such as major telecommunication providers, IT outsourcers, niche cloud vendors, real estate investment trusts and regional colocation providers. We compete effectively with respect to the key competitive dimensions in the information availability industry, namely economies of scale, quality of infrastructure, scope and quality of services, including breadth of supported hardware platforms and network capacity, level and quality of customer support, level of technical expertise, vendor neutrality, and price. We maintain important competitive advantages including our experience, our reliability, our reputation as an innovator, our proven track record, our financial stability and our ability to provide the entire portfolio of availability services as a single vendor solution.

## **Employees**

As of December 31, 2013, we had approximately 17,000 employees. 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 have been able to retain and attract highly qualified personnel (see

ITEM 1A RISK FACTORS).

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**ITEM 1A. RISK FACTORS**

Certain of the matters we discuss in this Report 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, estimates or anticipates, or similar expressions which concern our strategy, plans and 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:

global economic and market conditions;

the condition of the financial services industry, including the effect of any further consolidation among financial services firms;

our high degree of debt-related leverage;

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 broker/dealer operations;

the ability to retain and attract customers and key personnel;

risks relating to the foreign countries where we transact business;

the integration and performance of acquired businesses;

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;

a material weakness in our internal controls; and

unanticipated changes in our income tax provision or the enactment of new tax legislation, issuance of regulations or relevant judicial decisions.

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 United States Securities and Exchange Commission ( SEC ), including this Report. 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.

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Our high degree of debt-related 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, are at variable rates of interest;

restricting us from making 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 agreement and the indentures relating to our senior notes due 2018 and 2020 and senior subordinated notes due 2019. 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 2018 and 2020 and senior subordinated notes due 2019 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our 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, under certain circumstances, 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 may not be able to 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 secured notes due 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 may not have sufficient assets to repay the senior secured credit facilities and the senior notes, as well as our unsecured indebtedness.

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### **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 information 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 to a significant degree on the financial services industry, and a weakening of, or further consolidation in, or new regulations affecting, 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, including bankruptcies, 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, it could decide to consolidate on a non-SunGard system, which could have an adverse effect on our financial results.

To the extent newly adopted regulations negatively impact the business, operations or financial condition of our customers, our business and financial results could be adversely affected. We could be required to invest a significant amount of time and resources to comply with additional regulations or to modify the manner in which we provide products and services to our customers; and such regulations could limit how much we can charge for our services. We may not be able to update our existing products and services, or develop new ones at all or in a timely manner, to satisfy our customers' needs. Any of these events, if realized, could have a material adverse effect on our business and financial results.

#### **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.

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### **Our information systems processing environments may be subject to disruptions that could adversely affect our reputation and our business.**

Our information systems processing environments maintain and process confidential data on behalf of our customers, some of which is critical to their business operations. For example, our capital markets systems maintain account and trading information for our customers and their clients, and our wealth management 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 or cyber security threats. If our processing environments 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 may not 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 and we may find it difficult or costly to, among other things:

update our products and services and to develop new products fast enough to meet our customers needs;

make some features of our products and services work effectively and securely over the Internet;

integrate more of our FS solutions;

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

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

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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 information availability solutions in-house or leveraging inexpensive shared cloud-based solutions may create greater pressure on our organic revenue growth rate.**

Our AS solutions allow customers to leverage our technology expertise and process-IP, resource management capabilities and substantial infrastructure investments. Technological advances in recent years have significantly reduced the cost and 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. Also, cloud-based solutions are often perceived as inherently redundant and highly available. This is a misconception, as high availability is only provided when expressly engineered into a cloud environment. However, this belief along with the opportunity to leverage inexpensive cloud infrastructure for shared recovery options can, over time, become a more significant competitive threat especially in the area of availability solutions for less critical applications.

### **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 preference for solutions that utilize some level of dedicated resources, such as blended advanced recovery services and managed services. The primary reason for this is that adding dedicated resources, although more costly, provides greater control, increases security, reduces the risk of data loss and facilitates quicker responses to business interruptions. Advanced recovery services often result in greater use of dedicated resources with a modest decrease in operating margin rate. Managed services require significant dedicated resources and, therefore, have an appropriately lower operating margin rate.

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

Domestic and foreign regulatory and self-regulatory organizations, such as the SEC, the Financial Industry Regulatory Authority, and the (U.K.) Financial Services Authority can, among other things, fine, censure, issue cease-and-desist orders against, and suspend or expel a broker-dealer or its officers or employees for failure to comply with the many laws and regulations that govern brokerage activities. Such sanctions may arise out of currently-conducted activities or those conducted in prior periods. Our ability to comply with these laws and regulations is largely dependent on our establishment, maintenance, and enforcement of an effective brokerage compliance program. 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 may change, which could adversely affect our financial results.

We are exposed to certain risks relating to the execution services provided by our brokerage operations to our customers and counterparties, which include other broker-dealers, active traders, hedge funds, asset managers, and other institutional and non-institutional clients. These risks include, but are not limited to, customers or counterparties failing to pay for or deliver securities, trading errors, the inability or failure to settle trades, and trade execution system failures. 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 may not be able to limit our liability for trading losses or failed trades even when we are not at fault. As a result, we may suffer losses that are disproportionately large compared to the

relatively modest profit contributions of our brokerage operations.

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### **If we fail to comply with government regulations in connection with our business or by 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 LBO 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 fail to comply with any regulations applicable to our business, we may be exposed to unexpected liability and/or governmental proceedings, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results. In addition, the future enactment of more restrictive laws or rules on the federal or state level, or, with respect to our international operations, in foreign jurisdictions on the national, provincial, state or other level, could have an adverse impact on business and financial results.

### **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. Further, the markets in which we operate are highly competitive and we may not be able to compete effectively. 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. Revenue from our broker/dealer businesses is not subject to minimum or ongoing contractual commitments on the part of brokerage customers. 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.

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**We are subject to the risks of doing business internationally.**

A portion of our revenue is generated outside the United States, primarily from customers located in Europe. Over the past few years, we have expanded our operations in certain emerging markets in Asia, Africa, Europe, the Middle East and South America. 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 or unfavorable 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 and potentially adverse foreign tax law changes;

significant adverse changes in foreign currency exchange rates;

longer accounts receivable cycles;

managing a geographically dispersed workforce; and

difficulties associated with repatriating cash in a tax-efficient manner.

In foreign countries, particularly in those with developing economies, certain business practices may exist that are prohibited by laws and regulations applicable to us, such as the U.S. Foreign Corrupt Practices Act and other anti-corruption laws. Although our policies and procedures require compliance with these laws and are designed to facilitate compliance with these laws, our employees, contractors and agents may take actions in violation of applicable laws or our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business and reputation.



**Our acquisitions may not be successful and we may not be able to successfully integrate and manage acquired businesses.**

Generally, we seek to acquire businesses that broaden our existing product lines and service offerings and expand our geographic reach. There can be no assurance that our acquisitions will be successful or that we will be able to identify suitable acquisition candidates and successfully complete acquisitions. In addition, we may finance any future acquisition with debt, which would increase our overall levels of indebtedness and related interest costs. If we are unable to successfully integrate and manage acquired businesses, 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, be subject to an adverse litigation outcome 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 the 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 (including assumed liabilities not fully indemnified by the seller) in connection with acquisitions.

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### **We could lose revenue due to fiscal funding or termination for convenience clauses in certain customer contracts, especially in our K-12 and PS businesses.**

Certain of our customer contracts, particularly those with governments 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. In addition, governments and school districts may require contract terms that differ from our standard terms. While we have not been materially affected by exercises of these clauses or other unusual terms 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.

### **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 the 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 our bondholders 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.

### **We may be sued for violating the intellectual property rights of others.**

The software industry is characterized by the existence of a large number of trade secrets, copyrights and the growing number of issued patents, as well as frequent litigation based on allegations of infringement or other violations of intellectual property rights. We may unknowingly violate the intellectual property rights of others. Some of our competitors or other third parties may have been more aggressive than us in applying for or

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obtaining patent rights for innovative proprietary technologies both in the United States and internationally. In addition, we use a limited amount of open source software in our products and may use more open source software in the future. Because open source software is developed by numerous independent parties over whom we exercise no supervision or control, allegations of infringement for using open source software are possible. Although we monitor our use and our suppliers' use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by United States or other courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products.

As a result of all of these factors, there can be no assurance that in the future third parties will not assert infringement claims against us 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.

At present, we are vigorously defending a number of patent infringement cases. While we do not believe we have a potential liability for damages or royalties from any known current legal proceedings or claims related to the infringement of patent or other intellectual property rights that would individually or in the aggregate materially adversely affect our financial condition and operating results, the results of such legal proceedings cannot be predicted with certainty. Should we fail to prevail in any of the matters related to infringement of patent or other intellectual property rights of others or should several of these matters be resolved against us in the same reporting period, it could have a material adverse effect on our business and financial results.

### **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

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reports and effectively prevent fraud, our reputation and operating results could be harmed. 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. Further, the complexities of our quarter- and year-end closing processes increase the risk that a weakness in internal control over financial reporting may go undetected. 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness in our internal control over financial reporting could adversely impact our ability to provide timely and accurate financial information. If we are unable to report financial information timely and accurately or to maintain effective disclosure controls and procedures, we could be subject to, among other things, regulatory or enforcement actions by the SEC, any one of which could adversely affect our business prospects.

### **Unanticipated changes in our income tax provision or the enactment of new tax legislation, issuance of regulations or relevant judicial decisions could affect our profitability or cash flow.**

We are subject to income taxes in the United States and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. We regularly are under examination by tax authorities. Although we believe our income tax provision is reasonable, the final determination of our tax liability could be materially different from our historical income tax provisions, which could have a material effect on our financial position, results of operations or cash flows. In addition, tax-law amendments in the U.S. and other jurisdictions could significantly impact how U.S. multinational corporations are taxed. Although we cannot predict whether or in what form such legislation will pass, if enacted, it could have a material adverse effect on our business and financial results.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 2. PROPERTIES**

We lease space in many locations worldwide, primarily for availability services facilities, data centers, sales offices, customer support offices and administrative offices. We also own some of our computer and office facilities. Our principal facilities include our leased Availability Services facilities in Philadelphia, Pennsylvania (748,700 square feet), Carlstadt, New Jersey (517,300 square feet), and Hounslow, England (195,000 square feet) and include our financial systems application service provider centers in Voorhees, New Jersey; Burlington, Massachusetts; Hopkins, Minnesota; Salem, New Hampshire; Ridgefield, New Jersey; and Wayne, Pennsylvania. 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. Information with respect to this item may be found in Note 17 of the Notes to Consolidated Financial Statements in this Report, which information is incorporated into this Item 3 by reference.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANTS' 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 March 1, 2014, there were 632 holders of record of each of Class A common stock and Class L common stock of SCC, and there was one holder of record of common stock of SunGard.

See ITEM 7-LIQUIDITY AND CAPITAL RESOURCES COVENANT COMPLIANCE for a description of restrictions on our ability to pay dividends.

**ITEM 6. SELECTED FINANCIAL DATA****SunGard Capital Corp.**

|                                            | 2009               | 2010                  | 2011      | 2012      | 2013     |
|--------------------------------------------|--------------------|-----------------------|-----------|-----------|----------|
|                                            | (in millions)      |                       |           |           |          |
| Income Statement Data <sup>(1)</sup>       |                    |                       |           |           |          |
| Revenue                                    | \$ 4,694           | \$ 4,378              | \$ 4,381  | \$ 4,213  | \$ 4,134 |
| Operating income (loss)                    | (686)              | 199                   | 341       | 71        | 460      |
| Income (loss) from continuing operations   | (1,183)            | (418)                 | (66)      | (398)     | 50       |
| Income (loss) from discontinued operations | 66                 | (152)                 | (85)      | 332       | 12       |
| Net income (loss)                          | (1,117)            | (570)                 | (151)     | (66)      | 62       |
| Cash Flow Data                             |                    |                       |           |           |          |
| Cash flow from continuing operations       | N/A <sup>(2)</sup> | \$ N/A <sup>(2)</sup> | \$ 608    | \$ 634    | \$ 734   |
| Cash flow from discontinued operations     | N/A <sup>(2)</sup> | N/A <sup>(2)</sup>    | 70        | (390)     | 11       |
| Cash flow from operations                  | \$ 640             | \$ 721                | \$ 678    | \$ 244    | \$ 745   |
| Balance Sheet Data                         |                    |                       |           |           |          |
| Total assets                               | \$ 13,980          | \$ 12,968             | \$ 12,550 | \$ 10,021 | \$ 9,779 |
| Total short-term and long-term debt        | 8,315              | 8,055                 | 7,829     | 6,662     | 6,392    |
| Equity                                     | 1,914              | 1,452                 | 1,375     | 614       | 695      |

**SunGard Capital Corp. II**

|                                            | 2009     | 2010     | 2011          | 2012     | 2013     |
|--------------------------------------------|----------|----------|---------------|----------|----------|
|                                            |          |          | (in millions) |          |          |
| Income Statement Data <sup>(1)</sup>       |          |          |               |          |          |
| Revenue                                    | \$ 4,694 | \$ 4,378 | \$ 4,381      | \$ 4,213 | \$ 4,134 |
| Operating income (loss)                    | (686)    | 199      | 341           | 71       | 461      |
| Income (loss) from continuing operations   | (1,184)  | (418)    | (66)          | (398)    | 51       |
| Income (loss) from discontinued operations | 66       | (152)    | (85)          | 332      | 12       |



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|                                        |                    |                       |           |           |                 |
|----------------------------------------|--------------------|-----------------------|-----------|-----------|-----------------|
| Net income (loss)                      | (1,118)            | (570)                 | (151)     | (66)      | <b>63</b>       |
| <b>Cash Flow Data</b>                  |                    |                       |           |           |                 |
| Cash flow from continuing operations   | N/A <sup>(2)</sup> | \$ N/A <sup>(2)</sup> | \$ 608    | \$ 634    | <b>\$ 735</b>   |
| Cash flow from discontinued operations | N/A <sup>(2)</sup> | N/A <sup>(2)</sup>    | 70        | (390)     | <b>11</b>       |
| Cash flow from operations              | \$ 640             | \$ 721                | \$ 678    | \$ 244    | <b>\$ 746</b>   |
| <b>Balance Sheet Data</b>              |                    |                       |           |           |                 |
| Total assets                           | \$ 13,980          | \$ 12,968             | \$ 12,550 | \$ 10,021 | <b>\$ 9,779</b> |
| Total short-term and long-term debt    | 8,315              | 8,055                 | 7,829     | 6,662     | <b>6,392</b>    |
| Stockholders' equity                   | 2,026              | 1,567                 | 1,433     | 688       | <b>780</b>      |

**Table of Contents****SunGard Data Systems Inc.**

|                                             | 2009               | 2010                  | 2011<br>(in millions) | 2012      | 2013           |
|---------------------------------------------|--------------------|-----------------------|-----------------------|-----------|----------------|
| <b>Income Statement Data <sup>(1)</sup></b> |                    |                       |                       |           |                |
| Revenue                                     | \$ 4,694           | \$ 4,378              | \$ 4,381              | \$ 4,213  | <b>\$4,134</b> |
| Operating income (loss)                     | (686)              | 199                   | 341                   | 71        | <b>461</b>     |
| Income (loss) from continuing operations    | (1,184)            | (418)                 | (64)                  | (398)     | <b>51</b>      |
| Income (loss) from discontinued operations  | 66                 | (152)                 | (85)                  | 332       | <b>12</b>      |
| Net income (loss)                           | (1,118)            | (570)                 | (149)                 | (66)      | <b>63</b>      |
| <b>Cash Flow Data</b>                       |                    |                       |                       |           |                |
| Cash flow from continuing operations        | N/A <sup>(2)</sup> | \$ N/A <sup>(2)</sup> | \$ 608                | \$ 634    | <b>\$ 735</b>  |
| Cash flow from discontinued operations      | N/A <sup>(2)</sup> | N/A <sup>(2)</sup>    | 70                    | (390)     | <b>11</b>      |
| Cash flow from operations                   | \$ 639             | \$ 721                | \$ 678                | \$ 244    | <b>\$ 746</b>  |
| <b>Balance Sheet Data</b>                   |                    |                       |                       |           |                |
| Total assets                                | \$ 13,980          | \$ 12,968             | \$ 12,550             | \$ 10,021 | <b>\$9,779</b> |
| Total short-term and long-term debt         | 8,315              | 8,055                 | 7,829                 | 6,662     | <b>6,392</b>   |
| Stockholder's equity                        | 2,067              | 1,607                 | 1,461                 | 716       | <b>821</b>     |

(1) Included in the 2009 loss from continuing operations is a goodwill impairment charge of \$1.13 billion and the write-off of intangible assets of \$35 million.

Included in the 2010 loss from continuing operations is a goodwill impairment charge of \$205 million and a loss on the extinguishment of debt of \$58 million, including tender and call premiums of \$39 million, associated with the early retirement of \$1.6 billion senior notes due 2013 and euro denominated term loans. Included in the 2010 loss from discontinued operations is a goodwill impairment charge of \$123 million and a loss on disposal of discontinued operations of \$94 million.

Included in the 2011 loss from continuing operations are goodwill impairment charges of \$48 million related to prior-year periods, which have been corrected in 2011, and an income tax benefit of \$48 million reflecting amortization of the deferred tax liability, which benefit would have been reflected in prior years in the statement of comprehensive income. Included in the 2011 income (loss) from discontinued operations is \$135 million of deferred tax expense related to the book-over-tax basis difference of a Higher Education ( HE ) subsidiary that was classified as held for sale at December 31, 2011, and a goodwill impairment charge of \$3 million.

Included in the 2012 loss from continuing operations is a goodwill impairment charge of \$385 million and a loss on extinguishment of debt of \$82 million, including tender and call premiums of \$48 million, due primarily to the early extinguishments of the senior notes due 2015 and the senior subordinated notes due 2015, and the partial repayment of term loans in January and December 2012. Included in the 2012 income from discontinued operations are gains on the sale of discontinued operations of \$571 million primarily related to the sale of HE.

See Notes 1, 3, 5 and 8 of Notes to Consolidated Financial Statements.

- (2) The split of cash flow from continuing operations and cash flow from discontinued operations is not available for 2009 and 2010 due to reclassifications of businesses into discontinued operations.

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### **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 technology services companies. We provide software and technology services to financial services, education and public sector organizations. We also provide disaster recovery services, managed services, information availability consulting services and business continuity management software. We serve approximately 23,000 customers in more than 70 countries. Our high quality software solutions, excellent customer support and specialized technology services result in strong customer retention rates across all of our business segments, and create long-term customer relationships.

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

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II (SCCII), which is a subsidiary of SunGard Capital Corp (SCC). SCCII and SCC are collectively referred to as the Parent Companies. All four of these companies were formed for the purpose of facilitating the LBO and are collectively referred to as the Holding Companies. The use of we, our, us and similar terms is meant to refer to each of SCC, SCCII and SunGard.

We operate our business in three segments: Financial Systems (FS), Availability Services (AS) and Public Sector & Education (PS&E).

FS provides mission-critical software and technology services to virtually every type of financial services institution, including, buy-side and sell-side institutions, third-party administrators, wealth managers, retail banks, insurance companies, corporate and government treasuries and energy trading firms. Our broad range of complementary software solutions and associated technology services help financial services institutions automate the business processes associated with trading, managing portfolios and accounting for investment assets.

In FS, we have been generating organic growth by shifting our development, marketing and sales resources to address faster growing products, services and geographic markets. We are investing in development to bring more innovative solutions to market, addressing the specific demands of our clients. We are also investing in sales to expand our customer base and to sell more of our solutions to existing clients. We are particularly focused on the emerging markets, which now exceed ten percent of FS revenue. Emerging markets include the emerging areas of Asia (China, India, Southeast Asia) as well as the Middle East, Africa, Latin America and Eastern Europe.

Offsetting our organic growth are two headwinds. First, we have intentionally exited certain slower growing products or markets in order to enhance our growth rate and improve our profitability. In some instances, these exits have been discrete and sizable enough to warrant discontinued operations treatment in our financial statements. In other cases, the reduction in revenue and spending are less significant on an individual product basis and are included in continuing operations. These product exits have negatively impacted our revenue growth but have helped to enhance our profit margins.

The second headwind is an increased level of customer attrition, partially due to the 2008 financial crisis. Often, this attrition was due to mergers and acquisitions in the industry but also included some notable customer bankruptcies. Since our systems are so deeply embedded in our customer operations, transitions can take years to accomplish, generating a prolonged headwind in our FS business. Nonetheless, as the industry has been slowly recovering, we expect this attrition to be reduced in the future.



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AS provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software to customers in North America and Europe. With approximately five million square feet of data center and operations space, AS assists IT organizations across virtually all industry and government sectors to prepare for and recover from emergencies by helping them optimize their computer uptime. Through direct sales and channel partners, AS helps organizations ensure their people and customers have uninterrupted access to the information systems they need in order to conduct business.

In AS, recovery services revenue has been declining due to customers shifting from traditional backup and recovery solutions to either in-house, disk-based, cloud-based or managed recovery solutions. In this environment, we have introduced a series of advanced recovery-as-a-service offerings. For example, the Managed Recovery Program ( MRP ) brings SunGard's expertise to our customers' disaster recovery operations. MRP automates and facilitates the outsourcing of traditional disaster recovery services offerings, providing a unique value proposition to our customers. In addition, we offer Recover2Cloud®, Managed Backup and other recovery-as-a-service offerings which address our customers' changing computing landscape and their requirement for business continuity.

As disclosed in the Form 8-K filed on January 24, 2014, we intend to split-off the AS business from SunGard on a tax-free basis to our existing stockholders, including our private equity owners. The split-off is expected to be completed as early as March 2014, subject to the satisfaction of various customary conditions, including the receipt of financing for AS, opinions of counsel as to the tax-free nature of the split-off and related transactions, and final approval from our board of directors.

The split-off of AS from SunGard will result in the strategic separation of SunGard into two financially strong, independent companies and will bring greater clarity and alignment to each company's mission. While both businesses have been part of SunGard for a long time, they serve vastly different customer needs and have very different business profiles, with distinct capital requirements, sales forces and competitors. With the split-off of AS, AS can, among other things, provide its key managers with incentives that directly align them with the AS business, allowing AS to retain and motivate those managers and attract future key AS managers. The two more focused and autonomous companies, each with significant size, capabilities and financial strength, will be better positioned to drive long-term growth and value for customers, employees and investors.

Our PS&E segment provides software and technology services designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, public and private schools, utilities, nonprofits, and other public sector institutions.

In PS&E, we are seeing strong demand for our software offerings and related professional services. As a result of the increase in demand for professional services, additional resources are being added to work through our backlog and accelerate customer start dates providing both revenue and profit growth.

In January 2012, the Company completed the sale of its Higher Education ( HE ) business, which is included in discontinued operations for purposes of this Report. The net cash proceeds (as defined in the Credit Agreement) of \$1.22 billion were used to repay, on a pro-rata basis, \$396 million, \$689 million and \$137 million of tranche A, tranche B and the incremental term loan, respectively.

We are managing our business very carefully in this environment by selectively investing in areas of future organic growth. We have taken advantage of the attractive credit markets to refinance the majority of our debt, and have retired a portion of our higher cost debt, resulting in significantly reduced interest expense. We are actively managing working capital to improve cash generation. Altogether, this has resulted in improved cash flow, reduced debt and greater value to our shareholders.



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### **Results of Operations:**

We evaluate our performance using both accounting principles generally accepted in the United States ( GAAP ) and non-GAAP measures. Our primary non-GAAP measure is Adjusted EBITDA, whose corresponding GAAP measure is operating income. Adjusted EBITDA is defined as operating income excluding the following items:

depreciation;

amortization of acquisition-related intangible assets;

goodwill impairment;

severance and facility closure charges;

stock compensation;

management fees; and

certain other costs.

We believe Adjusted EBITDA is an effective tool to measure our operating performance since it excludes non-cash items and certain variable charges. We use Adjusted EBITDA extensively to measure both SunGard and its reportable segments within the Company and also to report our results to our board of directors. We use a similar measure, as defined in our senior secured credit agreement, for purposes of computing our debt covenants.

While Adjusted EBITDA is useful for analysis purposes, it should not be considered as an alternative to our reported GAAP results. Also, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

Except as otherwise noted, all explanations below exclude the impacts from changes in currency translation, which we refer to as constant currency, a non-GAAP measure. We believe presenting our results on a constant currency basis is meaningful for assessing how our underlying businesses have performed due to the fact that we have international operations that are material to our overall operations. As a result, total revenues and expenses are affected by changes in the U.S. Dollar against international currencies. To present our constant currency information, current period results for entities reporting in currencies other than U.S. Dollars are converted to U.S. Dollars at the average exchange rate used in the prior year period rather than the actual exchange rates in effect during the current year period. In each of the tables below, we present the percent change based on actual, unrounded results in reported currency and in constant currency.

The following discussion reflects the results of operations and financial condition of SunGard, which are materially the same as the results of operations and financial condition of SCC and SCCII. Therefore, the discussions provided are applicable to each of SunGard, SCC and SCCII, unless otherwise noted. Also, 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 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.

**Table of Contents****Year Ended December 31, 2013 Compared to Year Ended December 31, 2012**

The table below presents SunGard's financial results, including Adjusted EBITDA, and a reconciliation of Adjusted EBITDA to GAAP operating income, which we believe to be a comparable measure.

**SunGard:**

|                                                           | 2012          | 2013     | Year over Year Change<br>Reported | Constant<br>Currency |
|-----------------------------------------------------------|---------------|----------|-----------------------------------|----------------------|
|                                                           | (in millions) |          |                                   |                      |
| Revenue                                                   | \$ 4,213      | \$ 4,134 | (2)%                              | (2)%                 |
| Adjusted EBITDA                                           | 1,229         | 1,202    | (2)%                              | (3)%                 |
| Adjusted EBITDA margin                                    | 29.2%         | 29.1%    | (0.1)pts                          | (0.4)pts             |
| Reconciliation of Adjusted EBITDA to<br>Operating Income: |               |          |                                   |                      |
| Depreciation <sup>(1)</sup>                               | (287)         | (303)    | (6)%                              | (6)%                 |
| Amortization of acquisition-related intangible<br>assets  | (382)         | (334)    | 13%                               | 13%                  |
| Goodwill impairment                                       | (385)         |          | 100%                              | 100%                 |
| Severance and facility closure costs                      | (46)          | (27)     | 42%                               | 42%                  |
| Stock compensation                                        | (37)          | (46)     | (24)%                             | (24)%                |
| Management fees                                           | (14)          | (12)     | 10%                               | 10%                  |
| Other costs                                               | (7)           | (19)     | (135)%                            | (136)%               |
| Operating income                                          | \$ 71         | \$ 461   | 552%                              | 533%                 |
| Operating margin                                          | 1.7%          | 11.2%    | 9.5pts                            | 9.1pts               |

(1) Includes amortization of capitalized software.

Pts = percentage points

**Total Revenue:**

|                            | 2012          | 2013     | Year over Year Change<br>Reported | Constant<br>Currency |
|----------------------------|---------------|----------|-----------------------------------|----------------------|
|                            | (in millions) |          |                                   |                      |
| Services revenue           | \$ 3,878      | \$ 3,802 | (2)%                              | (2)%                 |
| License & resale revenue   | 274           | 276      | 1%                                | %                    |
| Reimbursed expense revenue | 61            | 56       | (9)%                              | (9)%                 |
| Total Revenue              | \$ 4,213      | \$ 4,134 | (2)%                              | (2)%                 |

During the past three fiscal years, services revenue has averaged approximately 92% of total revenue. About 80% of services revenue is highly recurring as a result of multi-year contracts and is generated from software-related services including software maintenance, support and rentals, and managed and recovery services. The remaining services revenue includes professional services, which are mainly generated from implementation and consulting services in connection with the sale of our products, and from broker/dealer fees. Our revenue is highly diversified by customer, product and geography. During each of the past three years, in total and in each of our segments, no single customer has accounted for more than 3% of revenue.

Reported services revenue decreased \$76 million, or 2%, in 2013 from 2012. On a constant-currency basis, services revenue decreased \$72 million, or 2%. The decrease in services revenue is primarily due to customer attrition in our traditional AS recovery services business and due to certain headwinds in our FS revenues, as discussed above. Offsetting this, to some degree, is increased revenue in AS managed services, primarily due to a new customer in Europe, increased revenue in some FS product lines, from the 2012 acquisition of a business in our FS segment and from the sale in 2013 of a customer bankruptcy claim.

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License and resale fee revenue includes revenue from sales of term and perpetual software licenses and resale fees from the resale of third party software licenses and/or equipment. On a constant-currency basis, software license and resale fee revenue was unchanged from 2012 levels. This revenue increased in three of the four quarters of 2013, but was significantly lower in the second quarter of 2013 reflecting the timing of license renewals.

*Adjusted EBITDA:*

The following table details the Adjusted EBITDA for each of our three reportable segments and corporate spending to reconcile to total SunGard Adjusted EBITDA. Following the table below is a discussion of each of our reportable segments.

|           | Adjusted EBITDA |          |
|-----------|-----------------|----------|
|           | 2012            | 2013     |
|           | (in millions)   |          |
| FS        | \$ 727          | \$ 746   |
| AS        | 480             | 436      |
| PS&E      | 66              | 66       |
| Corporate | (44)            | (46)     |
| Total     | \$ 1,229        | \$ 1,202 |

Our reported Adjusted EBITDA margin declined 0.1 points to 29.1% in 2013. The decline was driven by a reduction in the AS Adjusted EBITDA margin, resulting from a decrease in our traditional recovery services revenue and an increase in start-up costs reflecting the investment in MRP and a new managed services customer in Europe. Offsetting the margin decline, to some extent, was the expansion of the FS Adjusted EBITDA margin reflecting improvements in our administrative and development spending and an increase in capitalized software. In addition, currency fluctuation improved margin by 0.3 points, primarily within our expense base, as the U.S. dollar strengthened against the Indian Rupee and the Pound Sterling.

*Total Operating Margin:*

Our total reported operating margin was 11.2% for 2013. Our total operating margin on a constant-currency basis was 10.8% for 2013 compared to 1.7% for 2012. The more significant factors impacting the 9.1 margin point improvement are the following:

a 9.1 margin point improvement from the \$385 million goodwill impairment in 2012. There was no impairment in 2013;

a 1.1 margin point improvement from the decrease in amortization of acquisition-related intangible assets due to a portion of software and customer base intangible assets that became fully amortized in 2012; and

a 1.0 margin point reduction from the decline in the AS Adjusted EBITDA margin due primarily to the decrease in recovery services revenue and the margin pressure of start-up costs reflecting the investment in MRP and a new managed services customer contract in Europe.

**Table of Contents****Financial Systems segment:**

|                            | 2012          | 2013     | Year over Year Change<br>Reported | Constant<br>Currency |
|----------------------------|---------------|----------|-----------------------------------|----------------------|
|                            | (in millions) |          |                                   |                      |
| Services revenue           | \$ 2,322      | \$ 2,277 | (2)%                              | (2)%                 |
| License & resale revenue   | 243           | 244      | 1%                                | %                    |
| Reimbursed expense revenue | 39            | 30       | (23)%                             | (24)%                |
| Total Revenue              | 2,604         | 2,551    | (2)%                              | (2)%                 |
| Adjusted EBITDA            | 727           | 746      | 3%                                | 1%                   |
| Adjusted EBITDA margin     | 27.9%         | 29.2%    | 1.3pts                            | 0.8pts               |

***Revenue:***

In 2013, FS services revenue was approximately 89% of total FS revenue. Approximately 72% of services revenue is highly recurring as a result of multi-year contracts related to software maintenance, support, rentals and managed services. The remaining services revenue includes professional services (approximately 21% of services revenue), which is mainly generated from implementation and consulting services in connection with the sale of our products, and from broker/dealer fees (approximately 6% of services revenue). License fees represent 9% of total FS revenue and reflect both new customer licenses and renewal of term licenses by existing customers.

FS reported revenue decreased \$53 million, or 2%, in 2013 from 2012. On a constant-currency basis, revenue decreased \$56 million, or 2%, from the prior year. The decline was due to customer attrition, as described above, partially offset by growth in certain SunGard products, particularly in the emerging markets.

Additionally, services revenue was impacted by a reduction in professional services reflecting the completion of certain large projects, partially offset by the recognition of significant customer milestones in the fourth quarter of 2013. In addition, revenue grew by \$15 million from the acquisition of a business in the fourth quarter of 2012 and by \$12 million due to the sale of the bankruptcy claim mentioned above.

License and resale revenue was essentially unchanged from 2012 levels. In 2013, our license revenue increased due to new license sales of certain products, particularly in the emerging markets. However, renewals of existing term licenses were lower in 2013 than in 2012. This revenue increased in three of the four quarters of 2013, but was significantly lower in the second quarter of 2013 reflecting the timing of license renewals. We generally sell term licenses with a three to seven year term. Depending on the Dollar value and timing of these license renewals, our results may be impacted in a particular quarter or year.

***Adjusted EBITDA:***

The FS Adjusted EBITDA margin improved 1.3 points to 29.2% in 2013. Of the margin expansion, 0.5 points was due to currency fluctuation, primarily within our expense base as the U.S. dollar strengthened against the Indian Rupee and the Pound Sterling. The remaining 0.8 points of margin expansion was driven by two factors. First, we continually execute a lean program designed to identify cost savings and productivity improvements. This program serves to improve our profitability and help fund our sales and development investments. For example, in 2013, we continued to reduce our administrative spending, improving margins by 1.0 point, which was driven by this program

and the impact of our 2012 restructuring actions.

Second, we have realized a 0.6 margin point expansion through improvements in our development initiatives by exiting certain slower growing products or markets and shifting our investments to capitalizable new product development initiatives to address the faster growing product, service and geographic markets.

**Table of Contents****Availability Services segment:**

|                            | 2012          | 2013     | Year over Year Change<br>Reported | Constant<br>Currency |
|----------------------------|---------------|----------|-----------------------------------|----------------------|
|                            | (in millions) |          |                                   |                      |
| Services revenue           | \$ 1,383      | \$ 1,348 | (2)%                              | (2)%                 |
| License & resale revenue   | 3             | 2        | (23)%                             | (23)%                |
| Reimbursed expense revenue | 19            | 23       | 19%                               | 19%                  |
| Total Revenue              | 1,405         | 1,373    | (2)%                              | (2)%                 |
| Adjusted EBITDA            | 480           | 436      | (9)%                              | (9)%                 |
| Adjusted EBITDA margin     | 34.2%         | 31.8%    | (2.4)pts                          | (2.4)pts             |

**Revenue:**

In 2013, AS services revenue was approximately 98% of total AS revenue. Approximately 97% of services revenue is a result of multi-year disaster recovery, managed IT services and software-related contracts. The remaining services revenue includes professional services, which are mainly generated from IT outsourcing and consulting services. Our revenue is highly diversified by customer and industry.

AS reported revenue decreased \$32 million, or 2%, in 2013 from 2012. On a constant currency basis, revenue decreased \$27 million, or 2%, in 2013 primarily due to decreases in recovery services and professional services revenue, partially offset by an increase in managed IT services particularly due to a new customer in Europe. Recovery services revenue has been declining due to customers shifting from traditional backup and recovery solutions to either in-house, disk-based, cloud-based or managed recovery solutions. In this environment, we have introduced MRP and advanced recovery service offerings, as described above. Demand has also been increasing for outsourced management of IT operations and applications. We expect these trends to continue in the future.

**Adjusted EBITDA:**

The AS Adjusted EBITDA margin declined 2.4 points to 31.8% in 2013. Currency had no material impact on the margin decline. The 2.4 point reduction was driven, in part, by start-up costs for a new managed services customer in Europe. The impact of these start-up costs resulted in a decrease in Adjusted EBITDA margin of approximately 1.3 points. Additionally, AS introduced MRP and other advanced recovery-as-a-service offerings to address the shift to new and more sophisticated computing paradigms (e.g. cloud computing). The investment in these offerings coupled with the reduction in traditional recovery services revenue reduced margin by 1.1 points.

**Public Sector & Education segment:**

|                  | 2012          | 2013   | Year over Year Change<br>Reported | Constant<br>Currency |
|------------------|---------------|--------|-----------------------------------|----------------------|
|                  | (in millions) |        |                                   |                      |
| Services revenue | \$ 173        | \$ 177 | 2%                                | 2%                   |



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|                            |       |       |          |          |
|----------------------------|-------|-------|----------|----------|
| License & resale revenue   | 28    | 30    | 7%       | 7%       |
| Reimbursed expense revenue | 3     | 3     | 7%       | 7%       |
| Total Revenue              | 204   | 210   | 3%       | 3%       |
| Adjusted EBITDA            | 66    | 66    | %        | %        |
| Adjusted EBITDA margin     | 32.5% | 31.6% | (0.9)pts | (0.9)pts |

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*Revenue:*

In 2013, PS&E services revenue was approximately 85% of total PS&E revenue. Approximately 80% of services revenue is highly recurring as a result of multi-year contracts and is generated from software-related services including software maintenance, support, rentals and managed services. The remaining services revenue includes professional services (approximately 19%), which is mainly generated from implementation and consulting services in connection with the sale of our products. License and resale revenue represents 14% of total PS&E revenue. Our revenue is highly diversified by customer and product.

PS&E reported revenue and constant currency revenue increased \$6 million, or 3%, in 2013 from 2012. Reported revenue from license and resale fees grew \$2 million, or 7%, from 2012 driven by strong acceptance of new public sector solutions. The acceptance of these solutions drove managed and professional services growth resulting in a \$4 million increase in services revenue. We continue to invest in professional service resources in order to accelerate customer start dates and build customer satisfaction associated with these services.

*Adjusted EBITDA:*

The PS&E Adjusted EBITDA margin declined 0.9 points to 31.6% in 2013. The 0.9 point reduction is driven by incentive payments on higher sales and an increase in professional service resources to reduce our backlog and accelerate customer start dates.

**Non-operating Expenses:**

Since April 2012, we refinanced approximately \$3.2 billion of debt, taking advantage of the attractive debt markets, and repaid certain higher-cost senior notes. As a result, interest expense decreased to \$398 million in 2013 from \$428 million in 2012.

The refinancing and repayments of debt mentioned above resulted in a loss on extinguishment of debt of \$6 million in 2013 and \$82 million in 2012. The loss on extinguishment of debt in 2013 includes the loss related to the March 2013 refinance of \$2.2 billion of term loans. The loss on extinguishment of debt in 2012 is driven by the early extinguishment of the senior notes due 2015, the senior subordinated notes due 2015 and the partial repayment of term loans in January and December 2012.

Income (loss) from discontinued operations, net of tax, was \$12 million in 2013 and \$332 million in 2012. During 2013, we agreed to sell two of our non-core FS subsidiaries. During 2012, we sold our Higher Education business ( HE ) and a FS subsidiary. See Note 3 of Notes to Consolidated Financial Statements for further information.

Income attributable to the non-controlling interest represents accreted dividends on SCCII s cumulative preferred stock. The amount of accreted dividends was \$169 million and \$251 million for 2013 and 2012, respectively. The decrease in accreted dividends is due to the declaration and payment of a dividend in December 2012, partially offset by compounding.

**Year Ended 2012 Compared to Year Ended 2011**

The table below presents SunGard s financial results, including Adjusted EBITDA, and a reconciliation of Adjusted EBITDA to GAAP operating income, which we believe to be a comparable measure.



**Table of Contents****SunGard:**

|                                                           | 2011          | 2012     | Year over Year Change<br>Reported | Constant<br>Currency |
|-----------------------------------------------------------|---------------|----------|-----------------------------------|----------------------|
|                                                           | (in millions) |          |                                   |                      |
| Revenue                                                   | \$ 4,381      | \$ 4,213 | (4)%                              | (3)%                 |
| Adjusted EBITDA                                           | 1,215         | 1,229    | 1%                                | 1%                   |
| Adjusted EBITDA margin                                    | 27.8%         | 29.2%    | 1.4pts                            | 1.1pts               |
| Reconciliation of Adjusted EBITDA to<br>Operating Income: |               |          |                                   |                      |
| Depreciation <sup>(1)</sup>                               | (271)         | (287)    | (6)%                              | (7)%                 |
| Amortization of acquisition-related<br>intangible assets  | (432)         | (382)    | 12%                               | 11%                  |
| Goodwill impairment                                       | (48)          | (385)    | (702)%                            | (702)%               |
| Severance and facility closure costs                      | (59)          | (46)     | 21%                               | 20%                  |
| Stock compensation                                        | (33)          | (37)     | (15)%                             | (15)%                |
| Management fees                                           | (12)          | (14)     | (15)%                             | (15)%                |
| Other costs                                               | (19)          | (7)      | 62%                               | 61%                  |
| Operating income                                          | \$ 341        | \$ 71    | (79)%                             | (80)%                |
| Operating margin                                          | 7.8%          | 1.7%     | (6.1)pts                          | (6.2)pts             |

(1) Includes amortization of capitalized software.

**Total Revenue:**

|                            | 2011          | 2012     | Year over Year Change<br>Reported | Constant<br>Currency |
|----------------------------|---------------|----------|-----------------------------------|----------------------|
|                            | (in millions) |          |                                   |                      |
| Services revenue           | \$ 4,001      | \$ 3,878 | (3)%                              | (2)%                 |
| License & resale revenue   | 286           | 274      | (5)%                              | (2)%                 |
| Reimbursed expense revenue | 94            | 61       | (35)%                             | (34)%                |
| Total Revenue              | \$ 4,381      | \$ 4,213 | (4)%                              | (3)%                 |

Total SunGard reported revenue decreased \$168 million, or 4%, in 2012 compared to 2011. On a constant currency basis, revenue decreased \$122 million, or 3%. Approximately \$56 million of the \$122 million decrease, or 1.3 points of the three percentage points of decrease, was due to a decrease in revenue as we intentionally exited certain lower margin services in our broker/dealer business (the Broker/Dealer). These revenues were generally pass through fees to stock exchanges, as mentioned below.

Excluding the decrease from the Broker/Dealer, services revenue decreased \$59 million, or 2%, and represents 1.4 of the three percentage points of the decrease in total revenue. Services revenue was impacted by customer attrition in our traditional AS recovery services business and our FS business. In addition, revenue decreased in FS and AS professional services reflecting the completion of certain large customer projects, which were related to our technology introduction cycle, to some degree. Offsetting this, to some extent, is increased revenue in AS and FS managed services and an increase from a small number of FS acquisitions.

Reported revenue from license and resale fees decreased \$12 million, or 5%. This revenue increased in three of the four quarters of 2012, but was significantly lower in the first quarter of 2012 reflecting the timing of license renewals.

Reimbursed expense revenue decreased \$33 million due to the decline in revenue in the Broker/Dealer.

**Table of Contents***Adjusted EBITDA:*

The following table details the Adjusted EBITDA for each of our three reportable segments and corporate spending to reconcile to total SunGard Adjusted EBITDA. Following the table below is a discussion of each of our reportable segments.

|              | Adjusted EBITDA |                 |
|--------------|-----------------|-----------------|
|              | 2011            | 2012            |
|              | (in millions)   |                 |
| FS           | \$ 715          | \$ 727          |
| AS           | 508             | 480             |
| PS&E         | 63              | 66              |
| Corporate    | (71)            | (44)            |
| <b>Total</b> | <b>\$ 1,215</b> | <b>\$ 1,229</b> |

Our reported Adjusted EBITDA margin increased 1.4 points to 29.2% in 2012. Of the margin expansion, 0.3 points was due to currency fluctuations, primarily within our expense base, as the U.S. Dollar strengthened against the Indian Rupee and Euro. The remaining 1.1 points of margin expansion was driven by lower corporate administrative spending and a reduction in external service and consulting fees within FS. Offsetting the margin expansion, to some extent, was a decline in our AS recovery and professional services revenue.

*Total Operating Margin:*

Our total reported operating margin was 1.7% in 2012 compared to 7.8% in 2011. The more significant factors impacting the 6.1 margin point decrease are the following:

a 7.7 margin point decrease resulting from the \$385 million goodwill impairment in Availability Services North America ( AS NA ) in 2012. In 2011, we had a \$48 million impairment;

a 0.5 margin point impact from the decline in the AS Adjusted EBITDA margin due primarily to the decrease in recovery services and professional services revenue, partially offset by an increase in revenue from managed services and a decrease in equipment expense;

a 1.1 margin point increase from decreased amortization of acquisition-related intangible assets;

a 0.6 margin point increase from decreased corporate spending resulting from decreases of employment-related expenses (excluding severance) and advertising costs; and

a 0.4 margin point increase from the improvement in the FS Adjusted EBITDA margin due to expense management, primarily from reduced external services fees and consulting expenses.

**Financial Systems segment:**

|                            | 2011          | 2012     | Year over Year Change |                   |
|----------------------------|---------------|----------|-----------------------|-------------------|
|                            |               |          | Reported              | Constant Currency |
|                            | (in millions) |          |                       |                   |
| Services revenue           | \$ 2,390      | \$ 2,322 | (3)%                  | (2)%              |
| License & resale revenue   | 256           | 243      | (5)%                  | (3)%              |
| Reimbursed expense revenue | 71            | 39       | (45)%                 | (45)%             |
| Total Revenue              | 2,717         | 2,604    | (4)%                  | (3)%              |
| Adjusted EBITDA            | 715           | 727      | 2%                    | 2%                |
| Adjusted EBITDA margin     | 26.3%         | 27.9%    | 1.6pts                | 1.2pts            |

**Table of Contents***Revenue:*

FS reported revenue decreased \$113 million or 4%. On a constant currency basis, revenue decreased \$78 million, or 3%. Two percentage points of the decrease was related to lower revenue as we exited certain products in the Broker/Dealer as discussed above. This impacted both services revenue and reimbursed expense revenue. Services revenue was also impacted by a decrease in professional services revenue reflecting the completion of certain large customer projects, which were somewhat related to our technology introduction cycle. Offsetting this, to some degree, were increases related to higher trading activity and new business signed in 2011 and 2012.

License and resale revenue decreased 5%, or 3% at constant currency. This revenue increased in three of the four quarters of 2012, but was significantly lower in the first quarter of 2012 reflecting the timing of license renewals.

In addition, a small number of acquisitions improved FS revenue by \$13 million in total.

*Adjusted EBITDA:*

The FS Adjusted EBITDA margin improved 1.6 points to 27.9% in 2012. Of the margin expansion, 0.4 points was due to currency fluctuations, primarily within our expense base, as the U.S. Dollar strengthened against the Indian Rupee and Euro. The remaining 1.2 points of margin expansion was driven by lower administrative spending due to reductions in external services, consulting fees and a decrease in facilities costs (excluding facility closure costs).

**Availability Services segment:**

|                               | 2011          | 2012         | Year over Year Change |                   |
|-------------------------------|---------------|--------------|-----------------------|-------------------|
|                               |               |              | Reported              | Constant Currency |
|                               | (in millions) |              |                       |                   |
| Services revenue              | \$ 1,438      | \$ 1,383     | (4)%                  | (3)%              |
| License & resale revenue      | 2             | 3            | (15)%                 | (14)%             |
| Reimbursed expense revenue    | 20            | 19           | (3)%                  | %                 |
| <b>Total Revenue</b>          | <b>1,460</b>  | <b>1,405</b> | <b>(4)%</b>           | <b>(3)%</b>       |
| <b>Adjusted EBITDA</b>        | <b>508</b>    | <b>480</b>   | <b>(6)%</b>           | <b>(5)%</b>       |
| <b>Adjusted EBITDA margin</b> | <b>34.8%</b>  | <b>34.2%</b> | <b>(0.6)pts</b>       | <b>(0.6)pts</b>   |

*Revenue:*

AS reported revenue decreased \$55 million, or 4%, in 2012 from the prior year. On a constant currency basis, revenue decreased \$44 million, or 3%, in 2012 primarily due to decreases in recovery services and professional services revenue related to our traditional North American recovery business. This was offset, to some degree, by growth in new managed services offerings.

*Adjusted EBITDA:*

The AS Adjusted EBITDA margin declined 0.6 points to 34.2% in 2012. The margin decline was driven by the decline in our traditional high-margin recovery services and investments in new managed services offerings. This was offset, to some extent, by cost-savings programs which led to a decrease in equipment and facilities costs through



favorable price negotiations, improved network costs, lower utilities and bringing certain maintenance services in-house.

**Table of Contents****Public Sector & Education segment:**

|                            | 2011          | 2012   | Year over Year Change<br>Reported | Constant<br>Currency |
|----------------------------|---------------|--------|-----------------------------------|----------------------|
|                            | (in millions) |        |                                   |                      |
| Services revenue           | \$ 173        | \$ 173 | %                                 | %                    |
| License & resale revenue   | 28            | 28     | 2%                                | 2%                   |
| Reimbursed expense revenue | 3             | 3      | (12)%                             | (12)%                |
| Total Revenue              | 204           | 204    | %                                 | %                    |
| Adjusted EBITDA            | 63            | 66     | 5%                                | 5%                   |
| Adjusted EBITDA margin     | 31.2%         | 32.5%  | 1.3pts                            | 1.3pts               |

**Revenue:**

PS&E reported revenue and constant currency revenue were unchanged at \$204 million in 2012. A decrease in professional services revenue was offset by an increase in managed services revenue.

**Adjusted EBITDA:**

The PS&E Adjusted EBITDA margin improved 1.3 points to 32.5% in 2012 due primarily to an increase in costs capitalized as software assets.

**Non-operating Expenses:**

During 2012, we used the proceeds of the Higher Education sale and free cash flow to reduce total debt by \$1.2 billion. As a result, interest expense decreased to \$428 million in 2012 from \$524 million in 2011.

The repayments of debt mentioned above and the refinancing of our senior subordinated notes in the fourth quarter of 2012 resulted in a loss on extinguishment of debt of \$82 million in 2012 compared to \$3 million in 2011. The increase was due primarily to the early extinguishments of the senior notes due 2015, the refinancing of the senior subordinated notes due 2015, and the partial repayment of term loans in January and December 2012.

Income (loss) from discontinued operations, net of tax, was \$332 million in 2012 and \$(85) million in 2011. During 2012, we recorded a combined gain on the sales of two businesses of \$571 million. During 2011, we recorded \$135 million of deferred income tax expense related to the book-over-tax basis difference in a subsidiary of our HE business. See Note 3 of Notes to Consolidated Financial Statements for further discussion.

Income (loss) attributable to the non-controlling interest represents accreted dividends on SCCII's cumulative preferred stock. The amount of accreted dividends was \$251 million and \$225 million in 2012 and 2011, respectively. The increase is due to compounding.

**Income Taxes:**

The effective income tax rates for 2013 and 2012 were a provision of 11% and a benefit of 9%, respectively. The Company's effective tax rate fluctuates from period to period due to changes in the mix of income or losses in

jurisdictions with a wide range of tax rates, permanent differences between U.S. GAAP and local tax laws, certain one-time items including tax rate changes, benefit of foreign taxes, net of a U.S. foreign tax credit, and adjustments related to the repatriation of unremitted earnings of foreign subsidiaries. The effective tax rate for 2012 was also impacted by the goodwill impairment charge, which is largely non-deductible. The effective tax rate for 2013 reflects the benefit of the rate differential between the U.S. and other countries, the benefit of a

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temporary reduction in statutory tax rates in certain jurisdictions, and the benefit of U.S. deductions associated with development and certain R&D tax credits. Also included in the benefit recorded in tax expense for 2013 results is a discrete item of \$9 million related to a benefit associated with a tax accounting method change related to certain lease-related reserves.

The effective income tax rates for 2012 and 2011 were a tax benefit of 9% and 65%, respectively. The Company's effective tax rate fluctuates from period to period due to changes in the mix of income or losses in jurisdictions with a wide range of tax rates, permanent differences between U.S. GAAP and local tax laws, certain one-time items including tax rate changes, benefit of foreign taxes, net of a U.S. foreign tax credit, and adjustments related to the repatriation of unremitted earnings of foreign subsidiaries. The effective tax rates for 2012 and 2011 were also impacted by the goodwill impairment charges, which are largely nondeductible.

**Liquidity and Capital Resources:**

At December 31, 2012 and 2013, our liquidity was as follows (in millions):

|                                     | December 31,    |                 |
|-------------------------------------|-----------------|-----------------|
|                                     | 2012            | 2013            |
| Cash and cash equivalents           | \$ 546          | \$ 706          |
| Capacity: Revolving Credit Facility | 857             | 831             |
| Capacity: Receivables Facility      |                 | 46              |
| <b>Total Liquidity</b>              | <b>\$ 1,403</b> | <b>\$ 1,583</b> |

Total liquidity represents the amount of cash and readily available sources of cash available for debt service and working capital needs. We use total liquidity to ensure we have an adequate amount of funds to meet our obligations, especially since we have a significant amount of debt outstanding.

Included in cash and cash equivalents at December 31, 2013 was \$395 million invested in money market accounts in the United States. Approximately \$257 million of cash and cash equivalents at December 31, 2013 was held by our wholly-owned non-U.S. subsidiaries, which is available to fund operations and strategic investment opportunities abroad. Also, approximately \$41 million of cash and cash equivalents at December 31, 2013 relates to our broker/dealer operations, some of which is not readily available for general corporate use.

The Company's cash flows in the United States continue to be sufficient to fund its current domestic operations and obligations, including financing activities such as debt service. In addition, the Company has several options available to improve liquidity in the U.S., including repatriation of funds from foreign subsidiaries, borrowing funds under our revolving credit facilities, and calling intercompany loans that are in place with certain foreign subsidiaries. To the extent the Company elects to repatriate the earnings of our foreign subsidiaries, additional cash taxes could be payable. See Note 13 of the Consolidated Financial Statements for more detail.

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In 2013, cash flow from continuing operations was the highest in recent history due to our earnings, lower interest charges and working capital improvement.

### *Cash flow from operations:*

Cash flow from continuing operations was \$735 million in 2013, an increase of \$101 million versus 2012. The improvement in cash flows from continuing operations was primarily due to:

\$81 million of lower interest payments in 2013;

\$39 million increase in cash provided by working capital reductions due primarily to improved payables and receivables management and an increase in deferred revenue. This was partially offset by a one-time benefit in 2012 from exiting certain lower margin services in our Broker/Dealer business, which required significant cash reserves; and

a \$17 million decrease in cash earned from operations.

Cash flow from continuing operations was \$634 million in 2012, an increase of \$26 million versus 2011. The improvement in cash flows from continuing in operations in 2012 from 2011 was primarily due to:

\$51 million of lower interest payments in 2012;

a \$33 million increase in cash earned from operations;

\$25 million increase in cash due primarily to a one-time benefit in 2012 from exiting certain lower margin services in our Broker/Dealer business; partially offset by

a \$83 million increase in income tax payments in 2012, principally due to a large refund in 2011.

### *Cash flow from investing activities:*

Net cash used by continuing operations in investing activities was \$258 million in 2013 and \$296 million in 2012. We have been very selective in our acquisition strategy, spending \$2 million in 2013 for one acquisition, \$40 million in 2012 for two acquisitions and \$35 million in 2011 for five acquisitions.

Our capital expenditures are generally tied to computer and telecommunications equipment, purchased software and capitalized software development costs. Capital expenditures for continuing operations were \$258 million, \$259 million and \$275 million in 2013, 2012 and 2011, respectively. Capitalized development costs in continuing operations increased to \$43 million in 2013 from \$22 million in 2012, as we have been shifting our investment strategy to new product development initiatives to address the faster growing products, services and geographic markets. Excluding this capitalized software development, capital spending decreased \$22 million from 2012 to 2013.

*Cash flow from financing activities:*

In 2013, net cash from continuing operations used in financing activities was \$327 million, which included the following:

refinancing \$2.2 billion of term loans;

additional repayments of \$224 million of term loans; and

repayment of \$50 million of our receivables facility revolver.

In 2012, net cash from continuing operations used in financing activities was \$2.04 billion, which included the following:

repayment of \$1.22 billion of term loans resulting from the sale of HE;

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\$1.02 billion to repurchase and redeem \$1 billion of senior subordinated notes due 2015;

a \$724 million preferred stock dividend;

\$527 million to redeem the 10.625% senior notes due 2015; and

\$217 million of optional prepayments of term loans.  
partially offset by

the issuance of \$1 billion of senior subordinated notes due 2019; and

a \$720 million term loan to fund the dividend.

In 2011, net cash used by continuing operations in financing activities was \$253 million, which included \$239 million of debt repayments.

As a result of the LBO (August 11, 2005), we are highly leveraged. Total debt outstanding as of December 31, 2013 was \$6.392 billion, which consists of the following (in millions):

|                                                                                              | December 31,<br>2013 |
|----------------------------------------------------------------------------------------------|----------------------|
| Senior Secured Credit Facilities:                                                            |                      |
| Secured revolving credit facility due March 8, 2018                                          | \$                   |
| Tranche A due February 28, 2014, effective interest rate of 1.92%                            | 7                    |
| Tranche C due February 28, 2017, effective interest rate of 4.41%                            | 427                  |
| Tranche D due January 31, 2020, effective interest rate of 4.50%                             | 713                  |
| Tranche E due March 8, 2020, effective interest rate of 4.10%                                | 2,183                |
| Total Senior Secured Credit Facilities                                                       | 3,330                |
| Senior Secured Notes due 2014 at 4.875%                                                      | 250                  |
| Senior Notes due 2018 at 7.375%                                                              | 900                  |
| Senior Notes due 2020 at 7.625%                                                              | 700                  |
| Senior Subordinated Notes due 2019 at 6.625%                                                 | 1,000                |
| Secured accounts receivable facility, at 3.67%                                               | 200                  |
| Other, primarily foreign bank debt, acquisition purchase price and capital lease obligations | 12                   |
| Total debt                                                                                   | 6,392                |
| Short-term borrowings and current portion of long-term debt                                  | (293)                |
| Long-term debt                                                                               | \$ 6,099             |

See Note 5 of Notes to Consolidated Financial Statements which contains a full description of our debt.

In 2012 and 2013, we restructured our debt in light of the attractive credit markets. Specifically, we have extended our maturities, lowered our interest rates, removed the financial maintenance covenants with respect to our term loan facility and used interest rate swaps to manage the amount of floating rate debt in order to reduce our exposure to variable rate interest payments.

*Senior Secured Credit Facilities*

We have an \$850 million revolving credit facility, of which \$831 million was available for borrowing after giving effect to \$19 million of outstanding letters of credit as of December 31, 2013.

On March 8, 2013, SunGard amended and restated its Amended and Restated Credit Agreement dated as of August 11, 2005, as amended and restated from time to time ( *Credit Agreement* ) to, among other things, (i) issue an additional term loan of \$2,200 million ( *tranche E* ) maturing on March 8, 2020, the proceeds of



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which were used to (a) repay in full the \$1,719 million tranche B term loan and (b) repay \$481 million of the tranche C term loan; (ii) replace the \$880 million of revolving commitments with \$850 million of new revolving commitments, which will mature on March 8, 2018; and (iii) modify certain covenants and other provisions in order to, among other things (x) modify (and in the case of the term loan facility, remove) the financial maintenance covenants included therein and (y) permit the Company to direct the net cash proceeds of permitted dispositions otherwise requiring a prepayment of term loans to the prepayment of specific tranches of term loans at the Company's sole discretion. The interest rate on tranche E is LIBOR plus 3% with a 1% LIBOR floor.

SunGard is required to repay installments in quarterly principal amounts of 0.25%, or an aggregate of approximately \$7 million, of its funded tranche D and tranche E principal amounts through the maturity date, at which time the remaining aggregate principal balance is due.

Tranche D, tranche E and the new revolving credit commitments are subject to certain springing maturities which are described in the Credit Agreement.

*Secured Accounts Receivable Facility*

The Company also maintains a Secured Accounts Receivables Facility, which consists of an outstanding term loan of \$200 million and a revolving credit commitment of \$75 million. No amount was drawn on the revolving commitment. At December 31, 2013, \$509 million of accounts receivable secured the borrowings under the receivables facility. During January 2014, we removed AS as a seller in the accounts receivable facility and, as a result, we repaid \$60 million of the term loan component which permanently reduced the facility limit. The impact of removing AS as a seller and the resulting \$60 million repayment of the term loan component had the effect of reducing the amount available for borrowing to aggregate commitments of \$200 million, which is comprised of a \$140 million term loan component and a \$60 million revolving credit component.

The receivables facility includes a fee on the unused portion of 0.75% per annum and contains certain covenants. We are required to satisfy and maintain specified facility performance ratios, financial ratios and other financial condition tests.

*Interest Rate Swaps*

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 a stream of fixed interest payments for the term of the swap, and in turn, receive variable interest payments based on one-month LIBOR or three-month LIBOR (0.17% and 0.25%, respectively, at December 31, 2013). The net receipt or payment from the interest rate swap agreements is included in interest expense. As of December 31, 2013, including the impact of our outstanding interest rate swaps, the composition of our debt was 54% fixed and 46% floating. A summary of our interest rate swaps at December 31, 2013 follows (in millions):

| <b>Inception</b>      | <b>Maturity</b> | <b>Notional<br/>Amount<br/>(in millions)</b> | <b>Interest rate<br/>paid</b> | <b>Interest<br/>rate<br/>received<br/>(LIBOR)</b> |
|-----------------------|-----------------|----------------------------------------------|-------------------------------|---------------------------------------------------|
| August-September 2012 | February 2017   | \$ 400                                       | 0.69%                         | 1-Month                                           |
| July 2013             | June 2019       | 100                                          | 1.86%                         | 3-Month                                           |

| September 2013                       | June 2019 | 100    | 2.26% | 3-Month |
|--------------------------------------|-----------|--------|-------|---------|
| Total/Weighted average interest rate |           | \$ 600 | 1.15% |         |

In February 2014, the Company entered into three new interest rate swap agreements for a total notional amount of \$300 million. Each of these swap agreements are designated as cash flow hedges similar to those outstanding as of December 31, 2013. The Company will receive the greater of three-month LIBOR or 1%, and will pay fixed amounts between 2.24% to 2.28%.

**Table of Contents***Contractual Obligations*

At December 31, 2013, our contractual obligations follow (in millions):

|                                     | <b>Total</b>    | <b>2014</b>           | <b>2015</b>   | <b>2016</b>   | <b>2017-2018</b>        | <b>Therafter</b> |
|-------------------------------------|-----------------|-----------------------|---------------|---------------|-------------------------|------------------|
| Short-term and long-term debt       | \$ 6,392        | \$ 293 <sup>(3)</sup> | \$ 31         | \$ 31         | \$ 1,585 <sup>(3)</sup> | \$ 4,452         |
| Interest payments <sup>(1)</sup>    | 1,984           | 351                   | 343           | 342           | 632                     | 316              |
| Operating leases                    | 1,031           | 193                   | 169           | 140           | 218                     | 311              |
| Purchase obligations <sup>(2)</sup> | 199             | 124                   | 47            | 12            | 12                      | 4                |
| <b>Total</b>                        | <b>\$ 9,606</b> | <b>\$ 961</b>         | <b>\$ 590</b> | <b>\$ 525</b> | <b>\$ 2,447</b>         | <b>\$ 5,083</b>  |

- (1) Interest payments consist of interest on both fixed-rate and variable-rate debt. Variable-rate debt consists primarily of the tranche A secured term loan facility (\$7 million at 1.92%), the tranche C term loan facility (\$27 million at 3.92%), the tranche D term loan facility (\$713 million at 4.50%), the tranche E term loan facility (\$1,983 million at 4.00%), and the secured accounts receivable facility (\$200 million at 3.67%), each as of December 31, 2013. See Note 5 of Notes to Consolidated Financial Statements.
- (2) Purchase obligations include our estimate of the minimum outstanding obligations under noncancelable commitments to purchase goods or services.
- (3) In January and February 2014, the Company repaid the \$250 million senior secured notes due January 2014, \$60 million of receivables facility term loans due 2017 and the remaining \$7 million of tranche A term loans due February 28, 2014.

Gross reserves for uncertain tax positions approximated \$99 million (inclusive of continuing and discontinued operations) as of December 31, 2013. We believe it is more-likely-than-not that the uncertain tax positions for which a benefit has been recognized are sustainable, based solely on their technical merits and consideration of the relevant taxing authority's widely understood administrative practices and precedents. However, we have only recorded the portion of these tax benefits that are greater than fifty percent likely to be realized upon settlement with the taxing authority. To the extent that the relevant taxing authority disagrees with our positions it may result in a future cash outlay, which is not included in the contractual obligations table above. See Note 13 of Notes to Consolidated Financial Statements.

At December 31, 2013, contingent purchase price obligations that depend upon the operating performance of certain acquired businesses were \$6 million, of which \$2 million is included in other long-term liabilities. We also have outstanding letters of credit and bid bonds that total approximately \$35 million.

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

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

*Covenant Compliance*

Our senior secured credit facilities and the indentures governing our senior notes due 2018 and 2020 and our senior subordinated notes due 2019 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our 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,

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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 Holding Companies and the Sponsors, we are required to obtain approval from our 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).

In connection with the March 2013 senior secured credit agreement amendment, we removed the financial maintenance covenants for the term loan facility and modified the financial maintenance covenants for the senior secured revolving credit facility. As amended, the financial maintenance covenant is applicable at quarter end only if there is an amount outstanding under the revolving credit facility that is greater than or equal to 15% of the total revolving commitments (see footnote 1 below for further details). If applicable, the financial maintenance covenant allows a maximum total leverage ratio of 5.75x at the end of such quarter.

While we are currently well within our covenant requirements, if the financial maintenance covenant in the revolving credit facility were to apply and we failed to satisfy such covenant, then a default solely of the revolving credit facility would occur. If the revolving credit lenders fail to waive such default, then the revolving credit lenders could elect (upon a determination by a majority of the revolving credit lenders) to terminate their commitments and declare all amounts borrowed under the revolving credit facility due and payable. If this happens, all amounts borrowed under the senior secured term loan facilities would be due and payable as well. This acceleration would also result in a default under the indentures.

Under the indentures governing SunGard's senior notes due 2018 and 2020 and senior subordinated notes due 2019 and SunGard's senior secured credit agreement, our ability to incur additional indebtedness, make investments and pay dividends remains tied to a leverage or fixed charge ratio based on Adjusted EBITDA. Adjusted EBITDA, in our credit facilities, is defined as EBITDA, which we define as earnings before interest, taxes, depreciation and amortization, further adjusted to exclude certain adjustments permitted in calculating covenant compliance under the indentures and senior secured credit facilities. Adjusted EBITDA is a non-GAAP measure used to determine our compliance with certain covenants contained in the indentures governing the senior notes due 2018 and 2020 and senior subordinated notes due 2019 and in our senior secured credit agreement. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA are appropriate to provide additional information to investors to demonstrate compliance with the financing covenants.

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 noncash, extraordinary or unusual 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 Adjusted EBITDA 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. Adjusted EBITDA is similar, but not identical, to Adjusted EBITDA used to measure our performance (see Note 15 of Notes to Consolidated Financial Statements).

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As of December 31, 2013, we are in compliance with all financial and nonfinancial covenants. While we believe that we will remain in compliance, our continued ability to meet those financial ratios and tests can be affected by events beyond our control, and there is no assurance that we will continue to meet those ratios and tests.

The following is a reconciliation for SunGard of income (loss) from continuing operations, which is a GAAP measure of our operating results, to Adjusted EBITDA as defined in our debt agreements. This is similar, but not identical, to Adjusted EBITDA used for segment reporting as disclosed earlier. The terms and related calculations are defined in the credit agreement.

|                                                                                                                                | <b>Year ended December 31,</b> |                 |                 |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------|-----------------|
|                                                                                                                                | <b>2011</b>                    | <b>2012</b>     | <b>2013</b>     |
|                                                                                                                                | <b>(in millions)</b>           |                 |                 |
| Income (loss) from continuing operations                                                                                       | \$ (64)                        | \$ (398)        | \$ 51           |
| Interest expense, net                                                                                                          | 521                            | 427             | 397             |
| Provision for (benefit from) Income Taxes                                                                                      | (118)                          | (40)            | 6               |
| Depreciation and amortization                                                                                                  | 703                            | 669             | 637             |
| <b>EBITDA</b>                                                                                                                  | <b>1,042</b>                   | <b>658</b>      | <b>1,091</b>    |
| Goodwill impairment charge                                                                                                     | 48                             | 385             |                 |
| Purchase accounting adjustments <sup>(a)</sup>                                                                                 | 11                             | 9               | 7               |
| Non-cash charges <sup>(b)</sup>                                                                                                | 33                             | 38              | 47              |
| Restructuring and other <sup>(c)</sup>                                                                                         | 86                             | 58              | 47              |
| Acquired EBITDA, net of disposed EBITDA <sup>(d)</sup>                                                                         | 1                              | 3               |                 |
| Loss on extinguishment of debt <sup>(e)</sup>                                                                                  | 3                              | 82              | 6               |
| <b>Adjusted EBITDA continuing operations</b>                                                                                   | <b>1,224</b>                   | <b>1,233</b>    | <b>1,198</b>    |
| <b>Adjusted EBITDA held for sale<sup>(f)</sup></b>                                                                             | <b>7</b>                       | <b>12</b>       | <b>17</b>       |
| <b>Adjusted EBITDA senior secured credit facilities, senior notes due 2018 and 2020 and senior subordinated notes due 2019</b> | <b>\$ 1,231</b>                | <b>\$ 1,245</b> | <b>\$ 1,215</b> |
| <b>Adjusted EBITDA Software &amp; Processing</b>                                                                               | <b>\$ 710</b>                  | <b>\$ 751</b>   | <b>\$ 762</b>   |
| <b>Adjusted EBITDA Availability Services</b>                                                                                   | <b>514</b>                     | <b>482</b>      | <b>436</b>      |
| <b>Adjusted EBITDA held for sale<sup>(f)</sup></b>                                                                             | <b>7</b>                       | <b>12</b>       | <b>17</b>       |
| <b>Adjusted EBITDA senior secured credit facilities, senior notes due 2018 and 2020 and senior subordinated notes due 2019</b> | <b>\$ 1,231</b>                | <b>\$ 1,245</b> | <b>\$ 1,215</b> |

(a) Purchase accounting adjustments include the adjustment of deferred revenue and lease reserves to fair value at the dates of the LBO and subsequent acquisitions made by SunGard and certain acquisition-related compensation expense.

(b) Non-cash charges include stock-based compensation (see Note 11 of Notes to Consolidated Financial Statements) and loss on the sale of assets.

- (c) Restructuring and other charges includes severance and related payroll taxes, reserves to consolidate certain facilities, strategic initiative expenses, certain other expenses associated with acquisitions made by the Company, management fees paid to the Sponsors, and franchise and similar taxes reported in operating expenses, partially offset by certain charges relating to the receivables facility.
- (d) Acquired EBITDA net of disposed EBITDA reflects the EBITDA impact of businesses that were acquired or disposed of during the period as if the acquisition or disposition occurred at the beginning of the period.
- (e) Loss on extinguishment of debt includes in 2012 the write-off of deferred financing fees associated with the January 2012 repayment of \$1.22 billion of our US\$-denominated term loans, the April 2012 retirement of \$500 million, 10.625% senior notes due 2015, the December 2012 retirement of \$1 billion, 10.25% senior subordinated notes due 2015 and the December 2012 repayment of \$217 million of US\$-denominated term loans.
- (f) Adjusted EBITDA from assets held for sale are included until the businesses are sold or otherwise disposed.



**Table of Contents***Covenant Ratios*

Our covenant requirements and actual ratios for the year ended December 31, 2013 are as follows:

|                                                                                                               | <b>Covenant<br/>Requirements</b> | <b>Actual<br/>Ratios</b> |
|---------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------------|
| <b>Senior secured credit facilities <sup>(1)</sup></b>                                                        |                                  |                          |
| Maximum total debt to Adjusted EBITDA                                                                         | 5.75x                            | 4.56x                    |
| <b>Senior notes due 2018 and 2020 and senior subordinated notes due 2015 <sup>(2)</sup></b>                   |                                  |                          |
| Minimum Adjusted EBITDA to fixed charges ratio required to incur additional debt pursuant to ratio provisions | 2.00x                            | 3.48x                    |

- (1) If on the last day of any four consecutive fiscal quarters our total revolving credit exposure minus the lesser of (x) the amount of outstanding letters of credit under the senior secured revolving credit facility and (y) \$25 million, is equal to or greater than an amount equal to 15% of our aggregate revolving credit commitments, then on such day, we would be required to maintain a maximum consolidated total debt to Adjusted EBITDA ratio of 5.75x. Consolidated total debt is defined in the senior secured credit facilities as total debt less (i) certain indebtedness and (ii) cash and cash equivalents on our balance sheet in excess of \$50 million. Failure to satisfy this ratio requirement would constitute a default solely under the senior secured revolving credit facility. If our revolving credit facility lenders failed to waive any such default and subsequently accelerated our obligations or terminated their commitments under the senior secured revolving credit facility, our repayment obligations under the senior secured term loan facilities would be accelerated as well, which would also constitute a default under our indentures.
- (2) SunGard's 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 the ability to incur up to an aggregate principal amount of \$5.75 billion under credit facilities (inclusive of amounts outstanding under the senior credit facilities from time to time; as of December 31, 2013, we had \$3.33 billion outstanding under the term loan facilities and available commitments of \$831 million under the 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 2018 and 2020 and the Senior Subordinated Notes due 2019 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 the receivables facility.

**Use of Estimates and Critical Accounting Policies**

The preparation of financial statements in conformity with GAAP 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 and those areas where estimates have a relatively greater effect in the financial statements follows. Management has discussed the critical accounting policies described below with our audit committee.

## **Revenue Recognition**

We generate revenue from the following sources: (1) services revenue, which includes revenue from processing services, software maintenance and support, software rentals, recovery and managed services, professional services and broker/dealer fees; and, (2) software license fees, which result from contracts that permit the customer to use a SunGard product at the customer's site.

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The following criteria must be met in determining whether revenue may be recorded: persuasive evidence of a contract exists; software has been delivered and/or services have been provided; the price is fixed or determinable; and collection is reasonably assured.

Services revenue is recorded as the services are provided based on the fair value of each element. 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. When recovering from an interruption, customers generally are contractually obligated to pay additional fees, which typically cover the incremental costs of supporting customers during recoveries. FS managed 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. Software rentals combine the license and maintenance services into a bundled element, and the fee is recognized ratably over the corresponding services period when the customer has the right to use the software product and receive maintenance and support services.

For fixed-fee professional services contracts, services revenue is recorded based upon proportional performance, measured by the actual number of hours incurred divided by the total estimated number of hours for the project. 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. We also provide professional services on a time and materials basis, recognized monthly based upon hours incurred to date. In all cases contract milestones, project risk profile and refund provisions are taken into consideration.

License fees result from contracts that permit the customer to use a SunGard software product at the customer's site or at the site of their choosing if the customer has the contractual right to take immediate possession of the software without significant penalty. 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 and fees for other elements within the arrangement are fixed or determinable, collection is probable, and there is sufficient vendor specific evidence of the fair value of each undelivered element. When there are significant program modifications or customization, installation, systems integration or related services, the professional services and license revenue are combined in accordance with contract accounting guidance and recorded based upon proportional performance, measured in the manner described above. License revenue is recorded as each installment becomes due if 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 longest service period in those instances where the software is bundled together with post-delivery services and there is not sufficient evidence of the fair value of each undelivered service element.

With respect to software related multiple element arrangements, sufficient evidence of fair value is defined as vendor specific objective evidence ( VSOE ). VSOE of the fair value for each element within an arrangement is based on either historical stand-alone sales of the element to third parties or stated renewal rates within the contract. If there is no VSOE of the fair value of the delivered element (which is usually the software since the license is rarely if ever sold separately) but there is VSOE of the fair value of each of the undelivered elements (typically maintenance and professional services), then the residual method is used to determine the portion of the arrangement fee allocated to the delivered element. The revenue for each of the undelivered elements is set at the fair value of those elements using VSOE of the price paid when each of the undelivered elements is sold separately. The revenue remaining after allocation to the undelivered elements (i.e., the residual) is allocated to the delivered element.

Our maintenance and support offerings entitle the customers to receive product upgrades and enhancements on a when and if available basis along with technical support, and revenue is recognized ratably over the term of the maintenance

and support arrangement. VSOE supporting the fair value of maintenance and support is based on the stated (optional) renewal rates contained in the initial arrangement. VSOE for the maintenance element is dependent upon the software product and the annual maintenance fee is typically 18% to 20% of the software

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license fee. VSOE supporting the fair value of professional services is based on the standard daily rates charged when those services are sold separately, represented by a substantial portion of transactions falling within a reasonable tight pricing range.

In some software related multiple-element arrangements, the maintenance or professional services rates are discounted. In these cases, a portion of the software license fee is deferred and recognized as the maintenance or professional services are performed based on VSOE of the services.

From time to time, the Company enters into arrangements with customers that purchase non-software related services at the same time, or within close proximity, of purchasing software (non-software multiple-element arrangements). Each element within a non-software multiple-element arrangement is accounted for as a separate unit of accounting provided the following criteria are met: the delivered services have value to the customer on a standalone basis; and for an arrangement that includes a general right of return relative to the delivered services, delivery or performance of the undelivered service is considered probable and is substantially controlled by the Company. Where the criteria for a separate unit of accounting are not met, the deliverable is combined with the undelivered element(s) and treated as a single unit of accounting for the purposes of allocation of the arrangement consideration and revenue recognition.

For non-software multiple-element arrangements, the Company allocates revenue to each element based on a selling price hierarchy at the arrangement inception. The selling price for each element is based upon the following selling price hierarchy: VSOE, then third-party evidence ( TPE ), then best estimated selling price ( BESP ). The total arrangement consideration is allocated to each separate unit of accounting for each of the non-software deliverables using the relative selling prices of each unit based on this hierarchy. The Company limits the amount of revenue recognized for delivered elements to an amount that is not contingent upon future delivery of additional products or services or meeting of any specified performance conditions.

To determine the selling price in non-software multiple-element arrangements, the Company establishes VSOE of the selling price using the price charged for a deliverable when sold separately. Where VSOE does not exist, TPE is established by evaluating similar competitor products or services in standalone arrangements with similarly situated customers. If the Company is unable to determine the selling price because VSOE or TPE doesn't exist, it determines BESP for the purposes of allocating the arrangement consideration. BESP can be determined by considering pricing practices, margin objectives, contractually stated prices, competitive/market conditions and geographies.

Unbilled receivables are created when services are performed or software is delivered and revenue is recognized in advance of billings. Deferred revenue is created when billing occurs in advance of performing services or when all revenue recognition criteria have not been met.

### ***Goodwill and Trade Name Impairment Tests***

We test goodwill for impairment annually, at the reporting unit level, and whenever events or circumstances make it likely that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell all or a portion of a reporting unit. We perform our annual goodwill impairment test as of July 1 for each of our 11 reporting units and monitor for interim triggering events on an ongoing basis.

Goodwill is reviewed for impairment utilizing a qualitative assessment or a two-step process. If we choose to perform a qualitative assessment and determine the fair value more likely than not exceeds the carrying value, no further evaluation is necessary. As allowed, we chose to assess the qualitative factors of five of our reporting units that each had a fair value in excess of 25% of its respective carrying value as of the July 1, 2012 test. For the step zero qualitative analysis performed for the five reporting units selected, we have taken into consideration all the events and

circumstances listed in FASB ASC 350, Intangibles - Goodwill and Other, in addition to other entity-specific factors. For example, for each of the five reporting units selected, we noted that

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the fair value of each reporting unit exceeded book value by at least 25% in the July 1, 2012 test. We reviewed current projections of cash flows and compared them to the projections included in the prior year's step one test. We considered the fact that no new, significant competitors entered the marketplace in our industry and that consumer demand for the industry's products remains relatively constant, if not growing slightly. Also, economic factors over the past year did not significantly affect the discount rates used for the valuation of these reporting units. We concluded that events occurring in 2013 did not have a significant impact on the fair value of each of these reporting units. Therefore, we determined that it was not necessary to perform a quantitative (step one) goodwill impairment test for these reporting units.

For the remaining six reporting units, in step one of the two-step process, we estimated the fair values of each reporting unit by a combination of (i) estimation of the discounted cash flows of each of the reporting units based on projected earnings in the future (the income approach) and (ii) a comparative analysis of revenue and EBITDA multiples of public companies in similar markets (the market approach). An equal weighting of the income approach and the market approach was used in the July 1, 2013 test. We then compared the estimated fair value to the carrying value. If there is a deficiency (the estimated fair value of a reporting unit is less than the carrying value), a step-two test is required. In step two, the amount of any goodwill impairment is measured by comparing the implied fair value of the reporting unit's goodwill to the carrying value of goodwill, with any resulting impairment reflected in operations. The implied fair value is determined in the same manner as the amount of goodwill recognized in a business combination.

Estimating the fair value of a reporting unit requires various assumptions including projections of future cash flows, perpetual growth rates and discount rates that reflect the risks associated with achieving those cash flows. The assumptions about future cash flows and growth rates are based on management's assessment of a number of factors including the reporting unit's recent performance against budget, performance of the market that the reporting unit serves, as well as industry and general economic data from third party sources. Discount rate assumptions are based on an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit. For the July 1, 2013 impairment test, the discount rates used were between 9% and 13.5% and the perpetual growth rates used were between 1.5% and 4%. As a result of our testing, there were no goodwill impairment charges in 2013.

However, the Company determined that the excess of the estimated fair value over the carrying value of our AS NA reporting unit was 9% of the carrying value as of the July 1, 2013 impairment test. This reporting unit's goodwill balance at July 1, 2013 was \$527 million. As mentioned above, the Company uses a combination of the income approach and market approach to determine the fair value of each reporting unit. Under the income approach, which is subject to variability based on the discount and perpetual growth rate assumptions used, a 50 basis point decrease in the perpetual growth rate or a 50 basis point increase in the discount rate would not cause this reporting unit to fail the step-one test. A one hundred basis point decrease in the perpetual growth rate or a one hundred basis point increase in the discount rate would cause this reporting unit to fail the step-one test and require a step-two analysis, and some or all of this goodwill could be impaired. Furthermore, if this unit fails to achieve expected performance levels in the next twelve months or experiences a downturn in the business, goodwill could be impaired. The other five reporting units for which the Company performed a step one test each had estimated fair values that exceeded the respective carrying value of the reporting unit by at least 25% as of the July 1, 2013 impairment test.

In 2012, as a result of completing our annual impairment test, we determined that the carrying value of goodwill exceeded its implied fair value and recorded a non-cash goodwill impairment charge of \$385 million. In 2011, we recorded a non-cash goodwill impairment charge of \$48 million.

The trade name intangible asset represents the fair value of the SunGard trade name and is an indefinite-lived asset not subject to amortization. The Company performed its annual impairment test of the SunGard trade name in the third quarter of 2013. Based on the results of this test, the fair value of the trade name exceeded its



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carrying value, resulting in no impairment during 2013. The sale of the HE business in January 2012 significantly decreased the estimated fair value of the Company's trade name. As compared to the July 1, 2012 test, projected future revenues have declined and the discount rate has increased. In addition to future revenue projections, a critical assumption considered in the impairment test of the trade name is the implied royalty rate. A 50 basis point decrease in the assumed royalty rate would have resulted in an impairment of the trade name asset of approximately \$156 million (100 basis point decrease would result in an impairment of approximately \$372 million). A 100 basis point increase in the discount rate would result in an impairment of the trade name asset of approximately \$51 million. Furthermore, to the extent that additional businesses are divested in the future, the revenue supporting the trade name will decline, which may result in impairment charges.

As disclosed in the Form 8-K filed on January 24, 2014, SunGard is planning to split-off its AS business to its shareholders, which could be completed as soon as March 2014. If the split-off of the AS business occurs, it may change how the trade name is used, primarily by the AS business, and result in lower revenues supporting the current carrying value. Therefore, we may incur a non-cash impairment charge in the period of the split-off, which could have a material impact on our results of operations. However, as of December 31, 2013, the trade name was not impaired as its fair value is in excess of its carrying value.

See Note 1 of Notes to Consolidated Financial Statements for further discussion.

## ***Accounting for Income Taxes***

The company is subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgments are required in determining the consolidated provision for income taxes. Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are calculated based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the enacted income tax rates expected to be in effect during the years in which the temporary differences are expected to reverse.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Significant judgment is required in determining whether a valuation allowance should be recorded against deferred tax assets. In assessing the need for a valuation allowance, management considers all available evidence for each jurisdiction including past operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies. In the event that the Company changes its determination as to the amount of deferred tax assets that can be realized, the company will adjust its valuation allowance with a corresponding impact to income tax expense in the period in which such determination is made.

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognizes tax liabilities based on estimates of whether additional taxes and interest might be due. These tax liabilities are recognized when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all years open to examination by taxing authorities based on its assessment of many factors, including past experience and interpretations of the tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that new information becomes available which causes the company to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact income tax expense in the period in which such determination is made. 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 consolidated financial results.

The consolidated provision for income taxes will change period-to-period based on nonrecurring events, such as impairments of goodwill and certain intangible assets, the settlement of income tax examinations and changes in tax laws, as well as recurring factors including the geographic mix of income before taxes, the timing and amount of foreign dividend repatriation, state and local taxes and the effects of tax planning.

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**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, substantially all having initial maturities of three months or less. When necessary, we have borrowed to fund acquisitions.

At December 31, 2013, we had total debt of \$6.39 billion, including \$3.53 billion of variable rate debt. We entered into interest rate swap agreements which fixed the interest rates for \$600 million of our variable rate debt. Swap agreements expiring in February 2017 with a notional value of \$400 million effectively fix our interest rates at 0.69%. Swap agreements expiring in June 2019 with a notional value of \$200 million effectively fix our interest rates at 2.06%. Our remaining variable rate debt of \$2.93 billion is subject to changes in underlying interest rates, and, accordingly, our interest payments will fluctuate. During the period when all of our interest rate swap agreements are effective, a 1% change in interest rates would result in a change in interest of approximately \$29 million per year. Upon the expiration of the \$400 million interest rate swap agreement in February 2017, a 1% change in interest rates would result in an incremental change in interest of approximately \$4 million, or a total of \$33 million. Upon the expiration of the \$200 million interest rate swap agreements in June 2019, a 1% change in interest rates would result in an incremental change in interest of approximately \$2 million, or a total of \$35 million. See Note 5 of Notes to Consolidated Financial Statements.

During 2013, approximately 37% of our revenue was from customers outside the United States with approximately 74% of this revenue coming from customers located in the United Kingdom, Continental Europe and Canada. Only a portion of the revenue from customers outside the United States is denominated in other currencies, the majority being pound 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 and we enter into currency hedging transactions from time to time to mitigate certain currency exposures.

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**SunGard Capital Corp.**

**SunGard Capital Corp. II**

**SunGard Data Systems Inc.**

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of SunGard Capital Corp.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income, of changes in equity and of cash flows present fairly, in all material respects, the financial position of SunGard Capital Corp. and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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 or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

March 21, 2014

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of SunGard Capital Corp. II:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of SunGard Capital Corp. II and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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 or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

March 21, 2014



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**Report of Independent Registered Public Accounting Firm**

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 comprehensive income, of changes in stockholder's equity and of cash flows present fairly, in all material respects, the financial position of SunGard Data Systems Inc. and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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 or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

March 21, 2014

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**SunGard Capital Corp.**  
**Consolidated Balance Sheets**

(In millions except share and per-share amounts)

|                                                                              | December 31,<br>2012 | December 31,<br>2013 |
|------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                                |                      |                      |
| Current:                                                                     |                      |                      |
| Cash and cash equivalents                                                    | \$ 546               | \$ 706               |
| Trade receivables, less allowance for doubtful accounts of \$30 and \$23     | 778                  | 772                  |
| Earned but unbilled receivables                                              | 118                  | 105                  |
| Prepaid expenses and other current assets                                    | 228                  | 192                  |
| Assets held for sale                                                         | 47                   | 49                   |
| Total current assets                                                         | 1,717                | 1,824                |
| Property and equipment, less accumulated depreciation of \$1,503 and \$1,729 | 873                  | 821                  |
| Software products, less accumulated amortization of \$1,621 and \$1,789      | 408                  | 309                  |
| Customer base, less accumulated amortization of \$1,479 and \$1,693          | 1,364                | 1,152                |
| Other assets, less accumulated amortization of \$27 and \$24                 | 132                  | 123                  |
| Trade name                                                                   | 1,019                | 1,019                |
| Goodwill                                                                     | 4,508                | 4,531                |
| <b>Total Assets</b>                                                          | <b>\$ 10,021</b>     | <b>\$ 9,779</b>      |
| <b>Liabilities and Equity</b>                                                |                      |                      |
| Current:                                                                     |                      |                      |
| Short-term and current portion of long-term debt                             | \$ 63                | \$ 293               |
| Accounts payable                                                             | 32                   | 54                   |
| Accrued compensation and benefits                                            | 283                  | 281                  |
| Accrued interest expense                                                     | 41                   | 40                   |
| Other accrued expenses                                                       | 242                  | 206                  |
| Deferred revenue                                                             | 833                  | 845                  |
| Liabilities related to assets held for sale                                  | 17                   | 15                   |
| Total current liabilities                                                    | 1,511                | 1,734                |
| Long-term debt                                                               | 6,599                | 6,099                |
| Deferred and other income taxes                                              | 1,126                | 1,028                |
| Other long-term liabilities                                                  | 95                   | 119                  |
| Total liabilities                                                            | 9,331                | 8,980                |
| Commitments and contingencies                                                |                      |                      |
| Noncontrolling interest in preferred stock of SCCII subject to a put option  | 26                   | 42                   |

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|                                                                                                                                                                                                                                                                  |                  |                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------|
| Class L common stock subject to a put option                                                                                                                                                                                                                     | 45               | 58              |
| Class A common stock subject to a put option                                                                                                                                                                                                                     | 5                | 4               |
| Stockholders' equity:                                                                                                                                                                                                                                            |                  |                 |
| Class L common stock, convertible, par value \$.001 per share; cumulative 13.5% per annum, compounded quarterly; aggregate liquidation preference of \$6,154 million and \$7,040 million; 50,000,000 shares authorized, 29,027,610 and 29,062,421 shares issued. |                  |                 |
| Class A common stock, par value \$.001 per share; 550,000,000 shares authorized, 261,251,822 and 261,565,118 shares issued                                                                                                                                       |                  |                 |
| Capital in excess of par value                                                                                                                                                                                                                                   | 2,483            | 2,482           |
| Treasury stock, 541,886 and 528,709 shares of Class L common stock; and 4,880,305 and 4,761,694 shares of Class A common stock                                                                                                                                   | (50)             | (47)            |
| Accumulated deficit                                                                                                                                                                                                                                              | (3,391)          | (3,497)         |
| Accumulated other comprehensive income (loss)                                                                                                                                                                                                                    | (3)              | 16              |
| Total SunGard Capital Corp. stockholders' equity (deficit)                                                                                                                                                                                                       | (961)            | (1,046)         |
| Noncontrolling interest in preferred stock of SCCII                                                                                                                                                                                                              | 1,575            | 1,741           |
| Total equity                                                                                                                                                                                                                                                     | 614              | 695             |
| <b>Total Liabilities and Equity</b>                                                                                                                                                                                                                              | <b>\$ 10,021</b> | <b>\$ 9,779</b> |

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

**Table of Contents****SunGard Capital Corp.****Consolidated Statements of Comprehensive Income****(In millions)**

|                                                                                                                              | Year Ended December 31, |          |                 |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------|-----------------|
|                                                                                                                              | 2011                    | 2012     | 2013            |
| Revenue:                                                                                                                     |                         |          |                 |
| Services                                                                                                                     | \$ 4,001                | \$ 3,878 | <b>\$ 3,802</b> |
| License and resale fees                                                                                                      | 286                     | 274      | <b>276</b>      |
| Total products and services                                                                                                  | 4,287                   | 4,152    | <b>4,078</b>    |
| Reimbursed expenses                                                                                                          | 94                      | 61       | <b>56</b>       |
| Total revenue                                                                                                                | 4,381                   | 4,213    | <b>4,134</b>    |
| Costs and expenses:                                                                                                          |                         |          |                 |
| Cost of sales and direct operating (excluding depreciation)                                                                  | 1,791                   | 1,712    | <b>1,706</b>    |
| Sales, marketing and administration                                                                                          | 1,084                   | 996      | <b>965</b>      |
| Product development and maintenance                                                                                          | 414                     | 380      | <b>366</b>      |
| Depreciation                                                                                                                 | 271                     | 287      | <b>303</b>      |
| Amortization of acquisition-related intangible assets                                                                        | 432                     | 382      | <b>334</b>      |
| Goodwill impairment charges                                                                                                  | 48                      | 385      |                 |
| Total costs and expenses                                                                                                     | 4,040                   | 4,142    | <b>3,674</b>    |
| Operating income (loss)                                                                                                      | 341                     | 71       | <b>460</b>      |
| Interest income                                                                                                              | 3                       | 1        | <b>1</b>        |
| Interest expense and amortization of deferred financing fees                                                                 | (524)                   | (428)    | <b>(398)</b>    |
| Loss on extinguishment of debt                                                                                               | (3)                     | (82)     | <b>(6)</b>      |
| Other income (expense)                                                                                                       | 1                       |          | <b>(1)</b>      |
| Income (loss) from continuing operations before income taxes                                                                 | (182)                   | (438)    | <b>56</b>       |
| Benefit from (provision for) income taxes                                                                                    | 116                     | 40       | <b>(6)</b>      |
| Income (loss) from continuing operations                                                                                     | (66)                    | (398)    | <b>50</b>       |
| Income (loss) from discontinued operations, net of tax                                                                       | (85)                    | 332      | <b>12</b>       |
| Net income (loss)                                                                                                            | (151)                   | (66)     | <b>62</b>       |
| (Income) attributable to the noncontrolling interest (including \$- million \$1 million and \$2 million in temporary equity) | (225)                   | (251)    | <b>(169)</b>    |
| Net income (loss) attributable to SunGard Capital Corp.                                                                      | (376)                   | (317)    | <b>(107)</b>    |

|                                                                         |          |          |                |
|-------------------------------------------------------------------------|----------|----------|----------------|
| Other comprehensive income (loss):                                      |          |          |                |
| Foreign currency translation, net                                       | (26)     | 33       | <b>19</b>      |
| Unrealized gain (loss) on derivative instruments, net of tax            | 9        | 10       | <b>3</b>       |
| Other                                                                   |          |          | <b>(3)</b>     |
| Other comprehensive income (loss), net of tax                           | (17)     | 43       | <b>19</b>      |
|                                                                         |          |          |                |
| Comprehensive income (loss)                                             | (168)    | (23)     | <b>81</b>      |
| Comprehensive income (loss) attributable to the noncontrolling interest | (225)    | (251)    | <b>(169)</b>   |
|                                                                         |          |          |                |
| Comprehensive income (loss) attributable to SunGard Capital Corp.       | \$ (393) | \$ (274) | <b>\$ (88)</b> |

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

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

|                                                                                                    | Year Ended December 31, |         |         |
|----------------------------------------------------------------------------------------------------|-------------------------|---------|---------|
|                                                                                                    | 2011                    | 2012    | 2013    |
| <b><i>Cash flow from operations:</i></b>                                                           |                         |         |         |
| Net income (loss)                                                                                  | \$ (151)                | \$ (66) | \$ 62   |
| Income (loss) from discontinued operations                                                         | (85)                    | 332     | 12      |
| Income (loss) from continuing operations                                                           | (66)                    | (398)   | 50      |
| Reconciliation of income (loss) from continuing operations to cash flow from (used in) operations: |                         |         |         |
| Depreciation and amortization                                                                      | 703                     | 669     | 637     |
| Goodwill impairment charge                                                                         | 48                      | 385     |         |
| Deferred income tax provision (benefit)                                                            | (155)                   | (79)    | (96)    |
| Stock compensation expense                                                                         | 33                      | 37      | 46      |
| Amortization of deferred financing costs and debt discount                                         | 40                      | 36      | 37      |
| Loss on extinguishment of debt                                                                     | 3                       | 82      | 6       |
| Other noncash items                                                                                | 2                       | (1)     | 1       |
| Accounts receivable and other current assets                                                       | 59                      | 82      | 26      |
| Accounts payable and accrued expenses                                                              | (35)                    | (133)   | 16      |
| Deferred revenue                                                                                   | (24)                    | (46)    | 11      |
| Cash flow from (used in) continuing operations                                                     | 608                     | 634     | 734     |
| Cash flow from (used in) discontinued operations                                                   | 70                      | (390)   | 11      |
| Cash flow from (used in) operations                                                                | 678                     | 244     | 745     |
| <b><i>Investment activities:</i></b>                                                               |                         |         |         |
| Cash paid for acquired businesses, net of cash acquired                                            | (35)                    | (40)    | (2)     |
| Cash paid for property and equipment, and software                                                 | (275)                   | (259)   | (258)   |
| Other investing activities                                                                         | (4)                     | 3       | 2       |
| Cash provided by (used in) continuing operations                                                   | (314)                   | (296)   | (258)   |
| Cash provided by (used in) discontinued operations                                                 | (12)                    | 1,757   |         |
| Cash provided by (used in) investment activities                                                   | (326)                   | 1,461   | (258)   |
| <b><i>Financing activities:</i></b>                                                                |                         |         |         |
| Cash received from issuance of common stock                                                        | 3                       |         |         |
| Cash received from issuance of preferred stock                                                     | 3                       |         |         |
| Cash received from borrowings, net of fees                                                         | 1                       | 1,715   | 2,171   |
| Cash used to repay debt                                                                            | (239)                   | (2,946) | (2,477) |

|                                                                                                                |        |         |        |
|----------------------------------------------------------------------------------------------------------------|--------|---------|--------|
| Premium paid to retire debt                                                                                    | (48)   |         |        |
| Dividends paid                                                                                                 | (724)  |         | (3)    |
| Cash used to purchase treasury stock                                                                           | (9)    | (22)    | (10)   |
| Other financing activities                                                                                     | (12)   | (14)    | (7)    |
| Cash provided by (used in) continuing operations                                                               | (253)  | (2,039) | (326)  |
| Cash provided by (used in) discontinued operations                                                             |        |         |        |
| Cash provided by (used in) financing activities                                                                | (253)  | (2,039) | (326)  |
| Effect of exchange rate changes on cash                                                                        | (4)    | 7       | (1)    |
| Increase (decrease) in cash and cash equivalents                                                               | 95     | (327)   | 160    |
| Beginning cash and cash equivalents includes cash of discontinued operations: 2011, \$22; 2012, \$6; 2013, \$- | 778    | 873     | 546    |
| Ending cash and cash equivalents includes cash of discontinued operations: 2011, \$6; 2012, \$-; 2013, \$-     | \$ 873 | \$ 546  | \$ 706 |
| <b>Supplemental information:</b>                                                                               |        |         |        |
| Interest paid                                                                                                  | \$ 496 | \$ 444  | \$ 363 |
| Income taxes paid, net of refunds of \$58 million, \$8 million and \$21 million, respectively                  | \$ 37  | \$ 482  | \$ 86  |

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



**Table of Contents****SunGard Capital Corp.****Consolidated Statement of Changes in Equity****(In millions)**

|                                                                               | Temporary Equity<br>Subject to a put option |         | Noncontrolling<br>Interest |         | Common Stock<br>Number of Shares issued |              | Permanent Equity<br>Capital in Excess<br>of Par Value |         | Treasury Stock<br>Common Stock<br>Shares |                     |
|-------------------------------------------------------------------------------|---------------------------------------------|---------|----------------------------|---------|-----------------------------------------|--------------|-------------------------------------------------------|---------|------------------------------------------|---------------------|
|                                                                               |                                             |         |                            |         |                                         |              |                                                       |         |                                          |                     |
|                                                                               | Class L                                     | Class A |                            | Class L | Class A                                 | Par<br>Value |                                                       | Class L | Class A                                  | Par<br>Value Amount |
| Balances at December 31, 2010                                                 | \$ 87                                       | \$ 11   | \$ 54                      | 29      | 258                                     | \$           | \$ 2,703                                              | 3       | \$                                       | \$ (34)             |
| Net income (loss)                                                             |                                             |         |                            |         |                                         |              |                                                       |         |                                          |                     |
| Foreign currency translation                                                  |                                             |         |                            |         |                                         |              |                                                       |         |                                          |                     |
| Net unrealized gain on derivative instruments (net of tax expense of \$10)    |                                             |         |                            |         |                                         |              |                                                       |         |                                          |                     |
| Stock compensation expense                                                    |                                             |         |                            |         |                                         |              | 35                                                    |         |                                          |                     |
| Issuance of common and preferred stock                                        | (1)                                         |         | 1                          |         | 2                                       |              | 6                                                     |         |                                          |                     |
| Purchase of treasury stock                                                    | (1)                                         |         |                            |         |                                         |              | (1)                                                   |         |                                          | (5)                 |
| Transfer intrinsic value of vested restricted stock units to temporary equity | 12                                          | 1       | 8                          |         |                                         |              | (21)                                                  |         |                                          |                     |
| Expiration of put option                                                      | (50)                                        | (6)     | (35)                       |         |                                         |              | 58                                                    |         |                                          |                     |
| Other                                                                         |                                             |         |                            |         |                                         |              | (12)                                                  |         |                                          |                     |
| Balances at December 31, 2011                                                 | 47                                          | 6       | 28                         | 29      | 260                                     |              | 2,768                                                 | 3       |                                          | (39)                |
| Net income (loss)                                                             |                                             |         | 1                          |         |                                         |              |                                                       |         |                                          |                     |
| Foreign currency translation                                                  |                                             |         |                            |         |                                         |              |                                                       |         |                                          |                     |
| Net unrealized gain on derivative instruments (net of tax expense of \$2)     |                                             |         |                            |         |                                         |              |                                                       |         |                                          |                     |
| Stock compensation expense                                                    |                                             |         |                            |         |                                         |              | 38                                                    |         |                                          |                     |
| Dividends declared (\$72.80 per preferred share)                              |                                             |         | (3)                        |         |                                         |              | (300)                                                 |         |                                          |                     |
| Issuance of common and preferred stock                                        | (1)                                         |         | (1)                        |         | 1                                       |              | 1                                                     |         |                                          |                     |
| Purchase of treasury stock                                                    | (1)                                         |         |                            |         |                                         |              | (4)                                                   | 1       | 2                                        | (11)                |

|                                                                                      |              |             |              |           |            |           |                 |          |          |           |                |
|--------------------------------------------------------------------------------------|--------------|-------------|--------------|-----------|------------|-----------|-----------------|----------|----------|-----------|----------------|
| Transfer intrinsic value of vested restricted stock units to temporary equity        | 18           | 1           | 10           |           |            |           | (30)            |          |          |           |                |
| Expiration of put option                                                             | (18)         | (2)         | (9)          |           |            |           | 24              |          |          |           |                |
| Other                                                                                |              |             |              |           |            |           | (14)            |          |          |           |                |
| Balances at December 31, 2012                                                        | 45           | 5           | 26           | 29        | 261        |           | 2,483           | 1        | 5        |           | (50)           |
| <b>Net income (loss)</b>                                                             |              |             | <b>2</b>     |           |            |           |                 |          |          |           |                |
| <b>Foreign currency translation</b>                                                  |              |             |              |           |            |           |                 |          |          |           |                |
| <b>Net unrealized gain on derivative instruments (net of tax expense of \$3)</b>     |              |             |              |           |            |           |                 |          |          |           |                |
| <b>Stock compensation expense</b>                                                    |              |             |              |           |            |           | <b>46</b>       |          |          |           |                |
| <b>Issue common and preferred stock</b>                                              |              |             |              |           | <b>1</b>   |           | <b>(9)</b>      |          |          |           | <b>9</b>       |
| <b>Purchase of treasury stock</b>                                                    |              |             |              |           |            |           |                 |          |          |           | <b>(6)</b>     |
| <b>Transfer intrinsic value of vested restricted stock units to temporary equity</b> | <b>23</b>    | <b>1</b>    | <b>17</b>    |           |            |           | <b>(41)</b>     |          |          |           |                |
| <b>Expiration of put option</b>                                                      | <b>(10)</b>  | <b>(2)</b>  | <b>(3)</b>   |           |            |           | <b>12</b>       |          |          |           |                |
| <b>Other</b>                                                                         |              |             |              |           |            |           | <b>(9)</b>      |          |          |           |                |
| <b>Balances at December 31, 2013</b>                                                 | <b>\$ 58</b> | <b>\$ 4</b> | <b>\$ 42</b> | <b>29</b> | <b>262</b> | <b>\$</b> | <b>\$ 2,482</b> | <b>1</b> | <b>5</b> | <b>\$</b> | <b>\$ (47)</b> |

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

**Table of Contents****SunGard Capital Corp.****Consolidated Statement of Changes in Equity (continued)****(In millions)**

|                                                                               | Permanent Equity                              |             |  |                |       |                |          |
|-------------------------------------------------------------------------------|-----------------------------------------------|-------------|--|----------------|-------|----------------|----------|
|                                                                               | Accumulated Other Comprehensive Income (Loss) |             |  | Net Unrealized |       |                |          |
|                                                                               | Retained Earnings                             | Foreign     |  | Gain           |       | Noncontrolling |          |
|                                                                               | (Accumulated                                  | Currency    |  | (Loss) on      | Other | interest       | Total    |
|                                                                               | Deficit)                                      | Translation |  | Derivative     |       |                |          |
|                                                                               |                                               |             |  | Instruments    |       |                |          |
| Balances at December 31, 2010                                                 | \$ (2,970)                                    | \$ (11)     |  | \$ (18)        | \$    | \$ 1,782       | \$ 1,452 |
| Net income (loss)                                                             | (376)                                         |             |  |                |       | 225            | (151)    |
| Foreign currency translation                                                  |                                               | (26)        |  |                |       |                | (26)     |
| Net unrealized gain on derivative instruments (net of tax expense of \$10)    |                                               |             |  | 9              |       |                | 9        |
| Stock compensation expense                                                    |                                               |             |  |                |       |                | 35       |
| Issuance of common and preferred stock                                        |                                               |             |  |                |       | 1              | 7        |
| Purchase of treasury stock                                                    |                                               |             |  |                |       | (2)            | (8)      |
| Transfer intrinsic value of vested restricted stock units to temporary equity |                                               |             |  |                |       |                | (21)     |
| Expiration of put option                                                      |                                               |             |  |                |       | 32             | 90       |
| Other                                                                         |                                               |             |  |                |       |                | (12)     |
| Balances at December 31, 2011                                                 | (3,346)                                       | (37)        |  | (9)            |       | 2,038          | 1,375    |
| Net income (loss)                                                             | (317)                                         |             |  |                |       | 251            | (66)     |
| Foreign currency translation                                                  |                                               | 33          |  |                |       |                | 33       |
| Net unrealized gain on derivative instruments (net of tax expense of \$2)     |                                               |             |  | 10             |       |                | 10       |
| Stock compensation expense                                                    |                                               |             |  |                |       |                | 38       |
| Dividends declared (\$72.80 per preferred share)                              | 272                                           |             |  |                |       | (714)          | (742)    |
| Issuance of common and preferred stock                                        |                                               |             |  |                |       |                | 1        |
| Purchase of treasury stock                                                    |                                               |             |  |                |       | (6)            | (21)     |
| Transfer intrinsic value of vested restricted stock units to temporary equity |                                               |             |  |                |       |                | (30)     |

|                                                                                              |                   |              |             |               |                 |
|----------------------------------------------------------------------------------------------|-------------------|--------------|-------------|---------------|-----------------|
| Expiration of put option                                                                     |                   |              |             | 6             | 30              |
| Other                                                                                        |                   |              |             |               | (14)            |
| Balances at December 31,<br>2012                                                             | (3,391)           | (4)          | 1           | 1,575         | 614             |
| <b>Net income (loss)</b>                                                                     | <b>(107)</b>      |              |             | <b>167</b>    | <b>60</b>       |
| <b>Foreign currency translation</b>                                                          |                   | <b>19</b>    |             |               | <b>19</b>       |
| <b>Net unrealized gain on<br/>derivative instruments (net of<br/>tax expense of \$3)</b>     |                   |              | <b>3</b>    |               | <b>3</b>        |
| <b>Stock compensation expense</b>                                                            |                   |              |             |               | <b>46</b>       |
| <b>Issue common and preferred<br/>stock</b>                                                  |                   |              |             |               |                 |
| <b>Purchase of treasury stock</b>                                                            |                   |              |             | <b>(4)</b>    | <b>(10)</b>     |
| <b>Transfer intrinsic value of<br/>vested restricted stock units<br/>to temporary equity</b> |                   |              |             |               | <b>(41)</b>     |
| <b>Expiration of put option</b>                                                              |                   |              |             | <b>3</b>      | <b>15</b>       |
| <b>Other</b>                                                                                 | <b>1</b>          |              | <b>(3)</b>  |               | <b>(11)</b>     |
| <b>Balances at December 31,<br/>2013</b>                                                     | <b>\$ (3,497)</b> | <b>\$ 15</b> | <b>\$ 4</b> | <b>\$ (3)</b> | <b>\$ 1,741</b> |
|                                                                                              |                   |              |             |               | <b>\$ 695</b>   |

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

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

|                                                                              | December 31,<br>2012 | December 31,<br>2013 |
|------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                                |                      |                      |
| Current:                                                                     |                      |                      |
| Cash and cash equivalents                                                    | \$ 546               | \$ 706               |
| Trade receivables, less allowance for doubtful accounts of \$30 and \$23     | 778                  | 772                  |
| Earned but unbilled receivables                                              | 118                  | 105                  |
| Prepaid expenses and other current assets                                    | 228                  | 192                  |
| Assets held for sale                                                         | 47                   | 49                   |
| Total current assets                                                         | 1,717                | 1,824                |
| Property and equipment, less accumulated depreciation of \$1,503 and \$1,729 | 873                  | 821                  |
| Software products, less accumulated amortization of \$1,621 and \$1,789      | 408                  | 309                  |
| Customer base, less accumulated amortization of \$1,479 and \$1,693          | 1,364                | 1,152                |
| Other assets, less accumulated amortization of \$27 and \$24                 | 132                  | 123                  |
| Trade name                                                                   | 1,019                | 1,019                |
| Goodwill                                                                     | 4,508                | 4,531                |
| <b>Total Assets</b>                                                          | <b>\$ 10,021</b>     | <b>\$ 9,779</b>      |
| <b>Liabilities and Stockholders' Equity</b>                                  |                      |                      |
| Current:                                                                     |                      |                      |
| Short-term and current portion of long-term debt                             | \$ 63                | \$ 293               |
| Accounts payable                                                             | 32                   | 54                   |
| Accrued compensation and benefits                                            | 283                  | 281                  |
| Accrued interest expense                                                     | 41                   | 40                   |
| Other accrued expenses                                                       | 239                  | 205                  |
| Deferred revenue                                                             | 833                  | 845                  |
| Liabilities related to assets held for sale                                  | 17                   | 15                   |
| Total current liabilities                                                    | 1,508                | 1,733                |
| Long-term debt                                                               | 6,599                | 6,099                |
| Deferred and other income taxes                                              | 1,126                | 1,028                |
| Other long-term liabilities                                                  | 76                   | 102                  |
| Total liabilities                                                            | 9,309                | 8,962                |
| Commitments and contingencies                                                |                      |                      |
| Preferred stock subject to a put option                                      | 24                   | 37                   |

Stockholders' equity:

Preferred stock, par value \$.001 per share; cumulative 11.5% per annum, compounded quarterly; aggregate liquidation preference of \$1,581 million and \$1,752 million; 14,999,000 shares authorized, 10,048,018 and 10,060,069 issued

Common stock, par value \$.001 per share; 1,000 shares authorized, 100 shares issued and outstanding

|                                               |         |         |
|-----------------------------------------------|---------|---------|
| Capital in excess of par value                | 3,492   | 3,501   |
| Treasury stock, 187,576 and 183,014 shares    | (30)    | (29)    |
| Accumulated deficit                           | (2,771) | (2,708) |
| Accumulated other comprehensive income (loss) | (3)     | 16      |

|                            |     |     |
|----------------------------|-----|-----|
| Total stockholders' equity | 688 | 780 |
|----------------------------|-----|-----|

|                                                   |                  |                 |
|---------------------------------------------------|------------------|-----------------|
| <b>Total Liabilities and Stockholders' Equity</b> | <b>\$ 10,021</b> | <b>\$ 9,779</b> |
|---------------------------------------------------|------------------|-----------------|

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

**Table of Contents****SunGard Capital Corp. II****Consolidated Statements of Comprehensive Income****(In millions)**

|                                                              | Year Ended December 31, |          |                 |
|--------------------------------------------------------------|-------------------------|----------|-----------------|
|                                                              | 2011                    | 2012     | 2013            |
| Revenue:                                                     |                         |          |                 |
| Services                                                     | \$ 4,001                | \$ 3,878 | <b>\$ 3,802</b> |
| License and resale fees                                      | 286                     | 274      | <b>276</b>      |
| Total products and services                                  | 4,287                   | 4,152    | <b>4,078</b>    |
| Reimbursed expenses                                          | 94                      | 61       | <b>56</b>       |
| Total revenue                                                | 4,381                   | 4,213    | <b>4,134</b>    |
| Costs and expenses:                                          |                         |          |                 |
| Cost of sales and direct operating (excluding depreciation)  | 1,791                   | 1,712    | <b>1,706</b>    |
| Sales, marketing and administration                          | 1,084                   | 996      | <b>964</b>      |
| Product development and maintenance                          | 414                     | 380      | <b>366</b>      |
| Depreciation                                                 | 271                     | 287      | <b>303</b>      |
| Amortization of acquisition-related intangible assets        | 432                     | 382      | <b>334</b>      |
| Goodwill impairment charges                                  | 48                      | 385      |                 |
| Total costs and expenses                                     | 4,040                   | 4,142    | <b>3,673</b>    |
| Operating income (loss)                                      | 341                     | 71       | <b>461</b>      |
| Interest income                                              | 3                       | 1        | <b>1</b>        |
| Interest expense and amortization of deferred financing fees | (524)                   | (428)    | <b>(398)</b>    |
| Loss on extinguishment of debt                               | (3)                     | (82)     | <b>(6)</b>      |
| Other income (expense)                                       | 1                       |          | <b>(1)</b>      |
| Income (loss) from continuing operations before income taxes | (182)                   | (438)    | <b>57</b>       |
| Benefit from (provision for) income taxes                    | 116                     | 40       | <b>(6)</b>      |
| Income (loss) from continuing operations                     | (66)                    | (398)    | <b>51</b>       |
| Income (loss) from discontinued operations, net of tax       | (85)                    | 332      | <b>12</b>       |
| Net income (loss)                                            | (151)                   | (66)     | <b>63</b>       |
| Other comprehensive income (loss):                           |                         |          |                 |
| Foreign currency translation, net                            | (26)                    | 33       | <b>19</b>       |
| Unrealized gain (loss) on derivative instruments, net of tax | 9                       | 10       | <b>3</b>        |
| Other                                                        |                         |          | <b>(3)</b>      |

|                             |          |         |              |
|-----------------------------|----------|---------|--------------|
| Comprehensive income (loss) | \$ (168) | \$ (23) | \$ <b>82</b> |
|-----------------------------|----------|---------|--------------|

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



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

|                                                                                                    | Year Ended December 31, |         |                |
|----------------------------------------------------------------------------------------------------|-------------------------|---------|----------------|
|                                                                                                    | 2011                    | 2012    | 2013           |
| <b><i>Cash flow from operations:</i></b>                                                           |                         |         |                |
| Net income (loss)                                                                                  | \$ (151)                | \$ (66) | \$ <b>63</b>   |
| Income (loss) from discontinued operations                                                         | (85)                    | 332     | <b>12</b>      |
| Income (loss) from continuing operations                                                           | (66)                    | (398)   | <b>51</b>      |
| Reconciliation of income (loss) from continuing operations to cash flow from (used in) operations: |                         |         |                |
| Depreciation and amortization                                                                      | 703                     | 669     | <b>637</b>     |
| Goodwill impairment charge                                                                         | 48                      | 385     |                |
| Deferred income tax provision (benefit)                                                            | (155)                   | (79)    | <b>(96)</b>    |
| Stock compensation expense                                                                         | 33                      | 37      | <b>46</b>      |
| Amortization of deferred financing costs and debt discount                                         | 40                      | 36      | <b>37</b>      |
| Loss on extinguishment of debt                                                                     | 3                       | 82      | <b>6</b>       |
| Other noncash items                                                                                | 2                       | (1)     | <b>1</b>       |
| Accounts receivable and other current assets                                                       | 59                      | 82      | <b>26</b>      |
| Accounts payable and accrued expenses                                                              | (35)                    | (133)   | <b>16</b>      |
| Deferred revenue                                                                                   | (24)                    | (46)    | <b>11</b>      |
| Cash flow from (used in) continuing operations                                                     | 608                     | 634     | <b>735</b>     |
| Cash flow from (used in) discontinued operations                                                   | 70                      | (390)   | <b>11</b>      |
| Cash flow from (used in) operations                                                                | 678                     | 244     | <b>746</b>     |
| <b><i>Investment activities:</i></b>                                                               |                         |         |                |
| Cash paid for acquired businesses, net of cash acquired                                            | (35)                    | (40)    | <b>(2)</b>     |
| Cash paid for property and equipment, and software                                                 | (275)                   | (259)   | <b>(258)</b>   |
| Other investing activities                                                                         | (4)                     | 3       | <b>2</b>       |
| Cash provided by (used in) continuing operations                                                   | (314)                   | (296)   | <b>(258)</b>   |
| Cash provided by (used in) discontinued operations                                                 | (12)                    | 1,757   |                |
| Cash provided by (used in) investment activities                                                   | (326)                   | 1,461   | <b>(258)</b>   |
| <b><i>Financing activities:</i></b>                                                                |                         |         |                |
| Cash received from issuance of preferred stock                                                     | 3                       |         |                |
| Cash received from borrowings, net of fees                                                         | 1                       | 1,715   | <b>2,171</b>   |
| Cash used to repay debt                                                                            | (239)                   | (2,946) | <b>(2,477)</b> |
| Premium paid to retire debt                                                                        |                         | (48)    |                |

|                                                                                                                   |        |         |        |
|-------------------------------------------------------------------------------------------------------------------|--------|---------|--------|
| Dividends paid                                                                                                    | (724)  | (3)     |        |
| Cash used to purchase treasury stock                                                                              | (4)    | (12)    | (5)    |
| Other financing activities                                                                                        | (14)   | (24)    | (13)   |
| Cash provided by (used in) continuing operations                                                                  | (253)  | (2,039) | (327)  |
| Cash provided by (used in) discontinued operations                                                                |        |         |        |
| Cash provided by (used in) financing activities                                                                   | (253)  | (2,039) | (327)  |
| Effect of exchange rate changes on cash                                                                           | (4)    | 7       | (1)    |
| Increase (decrease) in cash and cash equivalents                                                                  | 95     | (327)   | 160    |
| Beginning cash and cash equivalents includes cash of discontinued operations:<br>2011, \$22; 2012, \$6; 2013, \$- | 778    | 873     | 546    |
| Ending cash and cash equivalents includes cash of discontinued operations:<br>2011, \$6; 2012, \$-; 2013, \$-     | \$ 873 | \$ 546  | \$ 706 |
| <b>Supplemental information:</b>                                                                                  |        |         |        |
| Interest paid                                                                                                     | \$ 496 | \$ 444  | \$ 363 |
| Income taxes paid, net of refunds of \$58 million, \$8 million and \$21 million,<br>respectively                  | \$ 37  | \$ 482  | \$ 86  |

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

**Table of Contents****SunGard Capital Corp. II****Consolidated Statement of Changes in Stockholders' Equity****(In millions)**

|                                                                                  | Temporary<br>Equity | Preferred<br>Stock | Permanent Equity                                 |                            |              |                                                            |
|----------------------------------------------------------------------------------|---------------------|--------------------|--------------------------------------------------|----------------------------|--------------|------------------------------------------------------------|
|                                                                                  |                     |                    | Preferred Stock<br>subject to a<br>put<br>option | Number of Shares<br>issued | Par<br>Value | Common Stock<br>Capital<br>in<br>Excess<br>of Par<br>Value |
| Balances at December 31, 2010                                                    | \$                  | 37                 | 10                                               | \$                         | \$           | \$ 3,747                                                   |
| Net income (loss)                                                                |                     |                    |                                                  |                            |              |                                                            |
| Foreign currency translation                                                     |                     |                    |                                                  |                            |              |                                                            |
| Net unrealized gain on derivative instruments<br>(net of tax expense of \$10)    |                     |                    |                                                  |                            |              |                                                            |
| Stock compensation expense                                                       |                     |                    |                                                  |                            |              | 35                                                         |
| Issuance of preferred stock                                                      |                     | 1                  |                                                  |                            |              | 2                                                          |
| Purchase of treasury stock                                                       |                     |                    |                                                  |                            |              |                                                            |
| Transfer intrinsic value of vested restricted stock<br>units to temporary equity |                     | 8                  |                                                  |                            |              | (8)                                                        |
| Expiration of put option                                                         |                     | (23)               |                                                  |                            |              | 23                                                         |
| Other                                                                            |                     |                    |                                                  |                            |              | (14)                                                       |
| Balances at December 31, 2011                                                    |                     | 23                 | 10                                               |                            |              | 3,785                                                      |
| Net income (loss)                                                                |                     |                    |                                                  |                            |              |                                                            |