SUNGARD DATA SYSTEMS INC
Form 10-Q
November 06, 2009

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United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

(Mark One)

þ **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2009

OR

o **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.	1-12989

SunGard® Capital Corp.
SunGard® Capital Corp. II
SunGard® Data Systems Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-3059890**
Delaware	**20-3060101**
Delaware	**51-0267091**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

680 East Swedesford Road, Wayne, Pennsylvania 19087
(Address of principal executive offices, including zip code)
484-582-2000
(Registrants telephone number, including area code)

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

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

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

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

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 o.	Accelerated filer o.	Non-accelerated filer þ. (Do not check if a smaller reporting company)	Smaller reporting company o.

SunGard Capital Corp.II

Large accelerated filer o.	Accelerated filer o.	Non-accelerated filer þ. (Do not check if a smaller reporting company)	Smaller reporting company o.

SunGard Data Systems Inc.

Large accelerated filer o.	Accelerated filer o.	Non-accelerated filer þ. (Do not check if a smaller reporting company)	Smaller reporting company o.

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

The number of shares of the registrant s common stock outstanding as of September 30, 2009:

SunGard Capital Corp.	254,801,732 shares of Class A common stock and 28,311,258 shares of Class L common stock
SunGard Capital Corp. II	100 shares of common stock (100% owned by SunGard Capital Corp.)
SunGard Data Systems Inc.	100 shares of common stock

SunGard Capital Corp.
SunGard Capital Corp. II
SunGard Data Systems Inc.
And Subsidiaries
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Part I. FINANCIAL INFORMATION

Explanatory Note

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

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Item 1. Financial Statements

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

	December 31, 2008		September 30, 2009	
Assets				
Current:				
Cash and cash equivalents	$	975	**$**	**479**
Trade receivables, less allowance for doubtful accounts of $15 and $69		701		**855**
Earned but unbilled receivables		81		**188**
Prepaid expenses and other current assets		122		**148**
Clearing broker assets		309		**376**
Retained interest in accounts receivable sold		285		
Deferred income taxes		22		**8**
Total current assets		2,495		**2,054**
Property and equipment, less accumulated depreciation of $689 and $887		898		**932**
Software products, less accumulated amortization of $793 and $1,021		1,159		**1,080**
Customer base, less accumulated amortization of $668 and $885		2,616		**2,361**
Other tangible and intangible assets, less accumulated amortization of $29 and $24		207		**205**
Trade name		1,075		**1,026**
Goodwill		7,328		**7,434**
Total Assets	$	15,778	**$**	**15,092**
Liabilities and Equity				
Current:				
Short-term and current portion of long-term debt	$	322	**$**	**57**
Accounts payable		87		**96**
Accrued compensation and benefits		314		**262**
Accrued interest expense		159		**94**
Other accrued expenses		409		**389**
Clearing broker liabilities		310		**358**
Deferred revenue		977		**972**
Total current liabilities		2,578		**2,228**
Long-term debt		8,553		**8,287**
Deferred income taxes		1,595		**1,487**
Total liabilities		12,726		**12,002**

Commitments and contingencies				
Noncontrolling interest in preferred stock of SCCII (held by management subject to a put option for death or disability)		60		**47**
Class L common stock held by management subject to a put option for death or disability		111		**85**
Class A common stock held by management subject to a put option for death or disability		12		**10**
Stockholders equity:				
Class L common stock, convertible, par value $.001 per share; cumulative 13.5% per annum, compounded quarterly; aggregate liquidation preference of $3,612 million and $4,005 million; 50,000,000 shares authorized, 28,472,965 and 28,552,325 shares issued				
Class A common stock, par value $.001 per share; 550,000,000 shares authorized, 256,260,680 and 256,975,139 shares issued				
Capital in excess of par value		2,613		**2,670**
Treasury stock, 208,071 and 241,067 shares of Class L common stock; and 1,873,932 and 2,173,407 shares of Class A common stock		(24)		**(27)**
Accumulated deficit		(912)		**(1,125)**
Accumulated other comprehensive loss		(219)		**(118)**
Total SunGard Capital Corp. stockholders equity		1,458		**1,400**
Noncontrolling interest in preferred stock of SCCII		1,411		**1,548**
Total equity		2,869		**2,948**
Total Liabilities and Equity	$	15,778	**$**	**15,092**

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009	2008	2009
Revenue:				
Services	$ 1,267	**$ 1,198**	$ 3,679	**$ 3,687**
License and resale fees	78	**93**	235	**236**
Total products and services	1,345	**1,291**	3,914	**3,923**
Reimbursed expenses	49	**46**	139	**118**
	1,394	**1,337**	4,053	**4,041**
Costs and expenses:				
Cost of sales and direct operating	728	**642**	2,024	**2,038**
Sales, marketing and administration	245	**262**	815	**792**
Product development	84	**77**	241	**225**
Depreciation and amortization	70	**74**	207	**215**
Amortization of acquisition-related intangible assets	131	**150**	361	**404**
Merger costs				**1**
	1,258	**1,205**	3,648	**3,675**
Income from operations	136	**132**	405	**366**
Interest income	4	**5**	13	**6**
Interest expense and amortization of deferred financing fees	(142)	**(165)**	(433)	**(471)**
Other income (expense)	(24)	**(15)**	(49)	**6**
Loss before income taxes	(26)	**(43)**	(64)	**(93)**
Benefit from (provision for) income taxes	(7)	**3**	11	**12**
Net loss	(33)	**(40)**	(53)	**(81)**
Income attributable to the noncontrolling interest	(39)	**(46)**	(117)	**(132)**
Net loss attributable to SunGard Capital Corp	$ (72)	**$ (86)**	$ (170)	**$ (213)**

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

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

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2009
Cash flow from operations:		
Net loss	$ (53)	**$ (81)**
Reconciliation of net loss to cash flow provided by operations:		
Depreciation and amortization	568	**619**
Deferred income tax benefit	(91)	**(82)**
Stock compensation expense	21	**22**
Amortization of deferred financing costs and debt discount	27	**31**
Other noncash items	18	**(7)**
Accounts receivable and other current assets	46	**20**
Accounts payable and accrued expenses	(179)	**(138)**
Clearing broker assets and liabilities, net	31	**(19)**
Deferred revenue		**(1)**
Cash flow provided by operations	388	**364**
Investment activities:		
Cash paid for acquired businesses, net of cash acquired	(174)	**(12)**
Cash paid for property and equipment and software	(280)	**(255)**
Other investing activities	2	**3**
Cash used in investment activities	(452)	**(264)**
Financing activities:		
Cash received from issuance of common stock	3	**1**
Cash received from issuance of preferred stock	1	**1**
Cash received from borrowings, net of fees	1,326	**211**
Cash used to repay debt	(75)	**(814)**
Cash used to purchase treasury stock	(13)	**(4)**
Other financing activities	(5)	**(3)**
Cash provided by (used in) financing activities	1,237	**(608)**
Effect of exchange rate changes on cash	(12)	**12**
Increase (decrease) in cash and cash equivalents	1,161	**(496)**
Beginning cash and cash equivalents	427	**975**

Ending cash and cash equivalents	$	1,588	**$**	**479**
Supplemental information:				
Acquired businesses:				
Property and equipment	$	6	**$**	
Software products		61		**8**
Customer base		85		**4**
Goodwill		106		**4**
Other tangible and intangible assets		1		
Deferred income taxes		(33)		**(1)**
Purchase price obligations and debt assumed		(19)		**(1)**
Net current liabilities assumed		(33)		**(2)**
Cash paid for acquired businesses, net of cash acquired of $24 and $1, respectively	$	174	**$**	**12**

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

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

	December 31, 2008	September 30, 2009
Assets		
Current:		
Cash and cash equivalents	$ 975	**$ 479**
Trade receivables, less allowance for doubtful accounts of $15 and $69	701	**855**
Earned but unbilled receivables	81	**188**
Prepaid expenses and other current assets	122	**148**
Clearing broker assets	309	**376**
Retained interest in accounts receivable sold	285	
Deferred income taxes	22	**8**
Total current assets	2,495	**2,054**
Property and equipment, less accumulated depreciation of $689 and $887	898	**932**
Software products, less accumulated amortization of $793 and $1,021	1,159	**1,080**
Customer base, less accumulated amortization of $668 and $885	2,616	**2,361**
Other tangible and intangible assets, less accumulated amortization of $29 and $24	207	**205**
Trade name	1,075	**1,026**
Goodwill	7,328	**7,434**
Total Assets	$ 15,778	**$ 15,092**
Liabilities and Stockholders Equity		
Current:		
Short-term and current portion of long-term debt	$ 322	**$ 57**
Accounts payable	87	**96**
Accrued compensation and benefits	314	**262**
Accrued interest expense	159	**94**
Other accrued expenses	399	**390**
Clearing broker liabilities	310	**358**
Deferred revenue	977	**972**
Total current liabilities	2,568	**2,229**
Long-term debt	8,553	**8,287**
Deferred income taxes	1,595	**1,486**
Total liabilities	12,716	**12,002**

Commitments and contingencies				
Preferred stock held by management subject to a put option for death or disability		51		**36**
Stockholders equity:				
Preferred stock, par value $.001 per share; cumulative 11.5% per annum, compounded quarterly; aggregate liquidation preference of $1,444 million and $1,578 million; 14,999,000 shares authorized, 9,856,052 and 9,883,531 issued				
Common stock, par value $.001 per share; 1,000 shares authorized, 100 shares issued and oustanding				
Capital in excess of par value		3,687		**3,712**
Treasury stock, 72,039 and 83,464 shares		(8)		**(10)**
Accumulated deficit		(449)		**(530)**
Accumulated other comprehensive loss		(219)		**(118)**
Total stockholders equity		3,011		**3,054**
Total Liabilities and Stockholders Equity	$	15,778	**$**	**15,092**

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

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

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2009
Revenue:				
Services	$ 1,267	**$ 1,198**	$ 3,679	**$ 3,687**
License and resale fees	78	**93**	235	**236**
Total products and services	1,345	**1,291**	3,914	**3,923**
Reimbursed expenses	49	**46**	139	**118**
	1,394	**1,337**	4,053	**4,041**
Costs and expenses:				
Cost of sales and direct operating	728	**642**	2,024	**2,038**
Sales, marketing and administration	245	**262**	815	**792**
Product development	84	**77**	241	**225**
Depreciation and amortization	70	**74**	207	**215**
Amortization of acquisition-related intangible assets	131	**150**	361	**404**
Merger costs				**1**
	1,258	**1,205**	3,648	**3,675**
Income from operations	136	**132**	405	**366**
Interest income	4	**5**	13	**6**
Interest expense and amortization of deferred financing fees	(142)	**(165)**	(433)	**(471)**
Other income (expense)	(24)	**(15)**	(49)	**6**
Loss before income taxes	(26)	**(43)**	(64)	**(93)**
Benefit from (provision for) income taxes	(9)	**3**	9	**12**
Net loss	$ (35)	**$ (40)**	$ (55)	**$ (81)**

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

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

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2009
Cash flow from operations:		
Net loss	$ (55)	**$ (81)**
Reconciliation of net loss to cash flow provided by operations:		
Depreciation and amortization	568	**619**
Deferred income tax benefit	(91)	**(82)**
Stock compensation expense	21	**22**
Amortization of deferred financing costs and debt discount	27	**31**
Other noncash items	18	**(7)**
Accounts receivable and other current assets	44	**20**
Accounts payable and accrued expenses	(174)	**(138)**
Clearing broker assets and liabilities, net	31	**(19)**
Deferred revenue		**(1)**
Cash flow provided by operations	389	**364**
Investment activities:		
Cash paid for acquired businesses, net of cash acquired	(174)	**(12)**
Cash paid for property and equipment and software	(280)	**(255)**
Other investing activities	2	**3**
Cash used in investment activities	(452)	**(264)**
Financing activities:		
Cash received from issuance of preferred stock	1	**1**
Cash received from borrowings, net of fees	1,326	**211**
Cash used to repay debt	(75)	**(814)**
Cash used to purchase treasury stock	(3)	**(1)**
Other financing activities	(13)	**(5)**
Cash provided by (used in) financing activities	1,236	**(608)**
Effect of exchange rate changes on cash	(12)	**12**
Increase (decrease) in cash and cash equivalents	1,161	**(496)**
Beginning cash and cash equivalents	427	**975**
Ending cash and cash equivalents	$ 1,588	**$ 479**

Supplemental information:		
Acquired businesses:		
Property and equipment	$ 6	**$**
Software products	61	**8**
Customer base	85	**4**
Goodwill	106	**4**
Other tangible and intangible assets	1	
Deferred income taxes	(33)	**(1)**
Purchase price obligations and debt assumed	(19)	**(1)**
Net current liabilities assumed	(33)	**(2)**
Cash paid for acquired businesses, net of cash acquired of $24 and $1, respectively	$ 174	**$ 12**

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

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

	December 31, 2008	September 30, 2009
Assets		
Current:		
Cash and cash equivalents	$ 975	**$ 479**
Trade receivables, less allowance for doubtful accounts of $15 and $69	701	**855**
Earned but unbilled receivables	81	**188**
Prepaid expenses and other current assets	122	**148**
Clearing broker assets	309	**376**
Retained interest in accounts receivable sold	285	
Deferred income taxes	22	**8**
Total current assets	2,495	**2,054**
Property and equipment, less accumulated depreciation of $689 and $887	898	**932**
Software products, less accumulated amortization of $793 and $1,021	1,159	**1,080**
Customer base, less accumulated amortization of $668 and $885	2,616	**2,361**
Other tangible and intangible assets, less accumulated amortization of $29 and $24	207	**205**
Trade name	1,075	**1,026**
Goodwill	7,328	**7,434**
Total Assets	$ 15,778	**$ 15,092**
Liabilities and Stockholder s Equity		
Current:		
Short-term and current portion of long-term debt	$ 322	**$ 57**
Accounts payable	87	**96**
Accrued compensation and benefits	314	**262**
Accrued interest expense	159	**94**
Other accrued expenses	401	**391**
Clearing broker liabilities	310	**358**
Deferred revenue	977	**972**
Total current liabilities	2,570	**2,230**
Long-term debt	8,553	**8,287**
Deferred income taxes	1,592	**1,482**
Total liabilities	12,715	**11,999**

Commitments and contingencies				
Stockholder s equity:				
Common stock, par value $.01 per share; 100 shares authorized, issued and oustanding				
Capital in excess of par value		3,731		**3,741**
Accumulated deficit		(449)		**(530)**
Accumulated other comprehensive loss		(219)		**(118)**
Total stockholder s equity		3,063		**3,093**
Total Liabilities and Stockholder s Equity	$	15,778	**$**	**15,092**

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

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

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Product development	84	**77**	241	**225**
Depreciation and amortization	70	**74**	207	**215**
Amortization of acquisition-related intangible assets	131	**150**	361	**404**
Merger costs				**1**
	1,258	**1,205**	3,648	**3,675**
Income from operations	136	**132**	405	**366**
Interest income	4	**5**	13	**6**
Interest expense and amortization of deferred financing fees	(142)	**(165)**	(433)	**(471)**
Other income (expense)	(24)	**(15)**	(49)	**6**
Income (loss) before income taxes	(26)	**(43)**	(64)	**(93)**
Benefit from (provision for) income taxes	(9)	**3**	9	**12**
Net income (loss)	$ (35)	**$ (40)**	$ (55)	**$ (81)**

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

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Cash paid for property and equipment and software	(280)	**(255)**
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Cash provided by (used in) financing activities	1,236	**(608)**
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Increase (decrease) in cash and cash equivalents	1,161	**(496)**
Beginning cash and cash equivalents	427	**975**
Ending cash and cash equivalents	$ 1,588	**$ 479**

Supplemental information:				
Acquired businesses:				
Property and equipment	$	6	**$**	
Software products		61		**8**
Customer base		85		**4**
Goodwill		106		**4**
Other tangible and intangible assets		1		
Deferred income taxes		(33)		**(1)**
Purchase price obligations and debt assumed		(19)		**(1)**
Net current liabilities assumed		(33)		**(2)**
Cash paid for acquired businesses, net of cash acquired of $24 and $1, respectively	$	174	**$**	**12**

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

SUNGARD CAPITAL CORP.
SUNGARD CAPITAL CORP. II
SUNGARD DATA SYSTEMS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation:

SunGard Data Systems Inc. (SunGard) was acquired on August 11, 2005 (the Transaction) by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (collectively, the Sponsors). SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II (SCCII), which is a subsidiary of SunGard Capital Corp. (SCC). All of these companies were formed for the purpose of facilitating the Transaction and are collectively referred to as the Holding Companies. SCC, SCCII and SunGard are separate reporting companies and, together with their direct and indirect subsidiaries, are collectively referred to as the Company . These notes to consolidated financial statements apply to SCC, SCCII and SunGard unless otherwise noted.

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

The accompanying interim consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), consistent in all material respects with those applied in the Form 10-12G/A for SCC and SCCII and SunGard s Annual Report on Form 10-K for the year ended December 31, 2008. Interim financial reporting does not include all of the information and footnotes required by GAAP for annual financial statements. The interim financial information is unaudited, but, in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments necessary to provide a fair statement of results for the interim periods presented. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

Subsequent events have been evaluated through November 5, 2009.

The three- and nine-month periods ended September 30, 2009 include a $12 million favorable out-of-period adjustment to benefit from income taxes primarily related to our utilization of foreign tax credit carryforwards from a prior year. The impact of the adjustment is not material to the prior period financial statements and, as such, is being corrected in the current period.

Recent Accounting Pronouncements

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

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2. Goodwill:

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

	Gross Goodwill					Goodwill Impairment	
	FS	HE	PS	AS	Total	PS	Total
Balance at December 31, 2008	$ 3,431	$ 965	$ 813	$ 2,247	$ 7,456	$ (128)	$ (128)
2009 acquisitions	2				2		
Adjustments related to prior year acquisitions and the Transaction	45	(1)	(1)	(11)	32		
Effect of foreign currency translation	38		7	27	72		
Balance at September 30, 2009	$ 3,516	$ 964	$ 819	$ 2,263	$ 7,562	$ (128)	$ (128)

Effective January 1, 2009, the Company shortened the remaining useful lives of certain intangible assets to reflect revisions to estimated customer attrition rates. The impact of this revision was an increase in amortization of acquisition-related intangible assets of $9 million and $27 million in the three and nine months ended September 30, 2009, respectively, and estimated to be approximately $36 million on an annual basis.

Generally accepted accounting principles require the Company to perform an impairment test at least annually. This is a two step test. In step one the estimated fair value of the reporting unit is compared to its carrying value. Only if there is a deficiency (the estimated fair value is less than the carrying value) is step two required. In Step two the actual amount of the goodwill impairment is calculated by comparing the implied fair value of the reporting unit’s goodwill with the carrying amount of that goodwill. The implied fair value is determined in the same manner as the amount of goodwill recognized in a business combination.

The Company completed step one of its annual goodwill impairment test as of July 1 for its reporting units. For each reporting unit, the fair value of the reporting unit exceeded its carrying value and, therefore, step two was not required. However there were two reporting units where the excess of estimated fair value over the carrying value of the reporting unit was 8%. The goodwill associated with these two reporting units totals $2.1 billion at September 30, 2009.

Estimating the fair value of a reporting unit requires various assumptions including the use of projections of future cash flows 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 as well as performance in the market that the reporting unit serves. 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. A one percentage point decrease in the perpetual growth rate or a one percentage point increase in the discount rate would cause these two reporting units to fail the step one test and require a step two analysis, and some or all of this goodwill could be impaired.

3. Clearing Broker Assets and Liabilities:

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

	December 31, 2008	September 30, 2009
Segregated customer cash and treasury bills	$ 148	**$ 157**
Securities owned	44	**51**
Securities borrowed	87	**146**

Receivables from customers and other		30		**22**
Clearing broker assets	$	309	**$**	**376**
Payables to customers	$	191	**$**	**184**
Securities loaned		47		**107**
Customer securities sold short, not yet purchased		3		**22**
Payable to brokers and dealers		69		**45**
Clearing broker liabilities	$	310	**$**	**358**

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

4. Debt and derivatives:

Receivables facility

In March 2009, SunGard entered into a syndicated three-year receivables facility. At September 30, 2009, $259 million was drawn. It may be repaid at any time at SunGard s option and is therefore accounted for as an on-balance sheet secured borrowing. At September 30, 2009, $722 million of accounts receivable secure the borrowings under the receivables facility.

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Under the receivables facility, SunGard is generally required to pay interest on the amount of each advance at the one month LIBOR rate (with a floor of 3%) plus 4.50% per annum. The facility is subject to a fee on the unused portion of 1.00% per annum. The receivables facility contains certain covenants, and SunGard is required to satisfy and maintain specified facility performance ratios, financial ratios and other financial condition tests.

Credit facility

In June 2009, SunGard amended its existing Credit Agreement (Amended Credit Agreement) to (a) extend the maturity date of $2.5 billion of its dollar-denominated term loans, £40 million of pound sterling-denominated term loans, and 120 million of Euro-denominated term loans from February 2014 to February 2016, (b) reduce existing revolving credit commitments to $829 million and extend the termination date of $580 million of those commitments to May 2013, and (c) amend certain other provisions including those related to negative and financial covenants.

As of September 30, 2009, the interest rate for the extended term loans, after adjusting for interest rate swaps, was 4.10% and for the unextended term loans, after adjusting for interest rate swaps, was 2.02%. The commitment fee on the daily unused portion of the 2013 and 2011 revolving credit commitments was 0.75% and 0.50%, respectively.

Derivatives

In early 2009, the Company entered into three-year interest rate swaps that expire in February 2012 for an aggregate notional amount of $1.2 billion under which SunGard pays a stream of fixed interest payments (at 1.78%) for the term of the swap, and in turn, receives variable interest payments based on LIBOR.

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

Inception	**Maturity**	**Notional Amount (in millions)**	**Interest rate paid**	**Interest rate received**
February 2006	February 2011	$ 800	5.00%	LIBOR
January 2008	February 2011	$ 750	3.17%	LIBOR
February 2008	February 2010	$ 750	2.71%	LIBOR
January/February 2009	February 2012	$ 1,200	1.78%	LIBOR
Total / Weighted Average interest rate		$ 3,500	3.01%	

The fair values of interest rate swaps designated as cash flow hedging instruments, included in other accrued expenses on the consolidated balance sheets, is $98 million and $85 million as of December 31, 2008 and September 30, 2009, respectively.

The table below summarizes the impact of the effective portion of interest rate swaps on the balance sheets and statements of operations for the three and nine months ended September 30, 2008 and 2009 (in millions):

	Three months ended September 30,		**Nine months ended September 30,**		
	2008	**2009**	**2008**	**2009**	**Classification**
Gain (loss) recognized in Accumulated Other Comprehensive Loss (OCI)	$ (3)	$ (4)	$ 6	$ 8	OCI
	(9)	(22)	(21)	(56)	

Loss reclassified from accumulated OCI into income	Interest expense and amortization of deferred financing costs

The Company has no ineffectiveness related to its swap agreements.

The Company expects to reclassify in the next twelve months approximately $93 million from accumulated other comprehensive income into earnings related to the Company s interest rate swaps based on the borrowing rates at September 30, 2009.

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5. Fair Value Measurements:

The following table summarizes assets and liabilities measured at fair value on a recurring basis at September 30, 2009 (in millions):

	Fair Value Measures Using			
	Level 1	Level 2	Level 3	Total
Assets				
Clearing broker assets securities owned	$ 51	$	$	$ 51
Liabilities				
Clearing broker liabilities customer securities sold short, not yet purchased	$ 22	$	$	$ 22
Interest rate swap agreements		85		85
	$ 22	$ 85	$	$ 107

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

Clearing broker assets and liabilities securities owned and customer securities sold short, not yet purchased are recorded at closing exchange-quoted prices. Fair values of the interest rate swap agreements are calculated using a discounted cash flow model using observable applicable market swap rates and assumptions and are compared to market valuations obtained from brokers. During January 2009, the fair value of retained interest in accounts receivable sold (a Level 3 measurement) decreased to zero due to the termination of the Company s off-balance sheet accounts receivable securitization program.

During the third quarter of 2009, the Company recorded impairment charges of its FS customer base and software assets of $16 million and $10 million, respectively. These non-recurring fair value measures are classified as Level 3 in the fair value hierarchy and were valued using discounted cash flow models. The valuation inputs included estimates of future cash flows, expectations about possible variations in the amount and timing of cash flows and discount rates based on the risk-adjusted cost of capital.

The following table presents the carrying amount and estimated fair value of the Company s debt, including current portion, as of September 30, 2009 (in millions):

	Carrying Value	Fair Value
Floating rate debt	**$ 4,991**	**$ 4,839**
Fixed rate debt	**3,352**	**3,402**

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

6. Comprehensive Income (Loss):

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009	2008	2009

Net loss	$	(35)	$	(40)	$	(55)	$	(81)
Foreign currency translation gains (losses)		(121)		33		(101)		93
Unrealized gains (losses) on derivative instruments		(3)		(4)		6		8
Comprehensive income (loss)	$	(159)	$	(11)	$	(150)	$	20

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7. Equity:
A rollforward of SCC s equity follows:

	SunGard Capital Corp. Shareholders	Noncontrolling interest	Total
Balance at December 31, 2008	$ 1,458	$ 1,411	$ 2,869
Net income	(213)	131	(82)
Stock compensation expense	22		22
Expiration of put options due to employee terminations and other	32	6	38
Foreign currency translation	93		93
Net unrealized gain (loss) on derivative instruments	8		8
Balance at September 30, 2009	$ 1,400	$ 1,548	$ 2,948

During the third quarter of 2009, the Company amended the terms of unvested performance awards granted prior to 2009 by (i) reducing performance targets for 2009 and 2010, (ii) reducing the number of shares that vest at the reduced targets, (iii) delayed vesting of earned shares, and, (iv) in the case of restricted stock units, increasing the length of time for distribution of vested awards. All performance award holders with the exception of executive management participated in the amendments. All amended equity awards were revalued at the modification date at the respective current fair value. There was no expense recognized in the quarter as a result of the modification.

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8. Segment Information:

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009	2008	2009
Revenue:				
Financial systems	$ 774	$ 724	$ 2,171	$ 2,232
Higher education	128	125	400	389
Public Sector	94	103	307	289
Software & processing solutions	996	952	2,878	2,910
Availability services	398	385	1,175	1,131
	$ 1,394	$ 1,337	$ 4,053	$ 4,041
Depreciation and amortization:				
Financial systems	$ 16	$ 20	$ 50	$ 58
Higher education	3	3	8	10
Public sector	3	2	7	6
Software & processing solutions	22	25	65	74
Availability services	48	49	142	141
Corporate administration				
	$ 70	$ 74	$ 207	$ 215
Income (loss) from operations:				
Financial systems	$ 138	$ 157	$ 388	$ 414
Higher education	31	33	91	95
Public sector	16	19	55	55
Software & processing solutions	185	209	534	564
Availability services	114	103	326	291
Corporate and other items (1)	(163)	(180)	(455)	(488)
Merger costs				(1)
	$ 136	$ 132	$ 405	$ 366
Cash paid for property and equipment and software:				
Financial systems	$ 24	$ 16	$ 63	$ 60
Higher education	5	2	21	6
Public sector	2	4	6	10

Software & processing solutions		31		22		90		76
Availability services		60		66		190		179
Corporate administration								
	$	91	$	88	$	280	$	255

(1) Includes corporate administrative expenses, stock compensation expense, management fees paid to the Sponsors, other items and amortization of acquisition-related intangible assets of $131 million and $150 million for the three month periods ended September 30, 2008 and 2009, respectively, and $361 million and $404 million for the nine month periods ended September 30, 2008 and 2009, respectively.

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

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2009
Amortization of acquisition-related intangible assets:				
Financial systems	$ 73(1)	$ 91(1)	$ 200(1)	$ 227(1)
Higher education	8	8	26	25
Public sector	15(1)	8(1)	36(1)	23(1)
Software & processing solutions	96	107	262	275
Availability services	34	42	96	127
Corporate administration	1	1	3	2
	$ 131	$ 150	$ 361	$ 404

(1) 2008 includes approximately $11 million and $4 million of impairment charges related to customer base and software for subsidiaries in the FS and PS segments, respectively. 2009 includes approximately $16 million and $10 million of impairment charges related to customer base and software, respectively, for subsidiaries in the FS segment.

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

Three Months Ended September 30, 2008	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2009

Trading Systems	$	239	$	161	$	557	$	610
Wealth Management		127		112		399		321
Brokerage & Clearance		61		68		196		207
Global Trading				72				195
Capital Markets		72		68		242		192
Institutional Asset Management		60		53		172		151
Corporations		51		45		140		134
Banks		43		38		121		107
All other		121		107		344		315
Total Financial Systems	$	774	$	724	$	2,171	$	2,232

9. Related Party Transactions:

In accordance with the Management Agreement between the Company and affiliates of the Sponsors, the Company recorded $4 million of management fees in sales, marketing and administration expenses during each of the three months ended September 30, 2008 and 2009. In the nine month periods ended September 30, 2008 and 2009, the Company recorded $14 million and $11 million, respectively, of management fees in sales, marketing and administration expenses. At December 31, 2008 and September 30, 2009, $10 million and $4 million, respectively, was included in other accrued expenses.

Certain of the Company s Sponsors and/or their affiliates were paid approximately $2 million for customary fees and expenses in connection with the Amended Credit Agreement.

10. Supplemental Guarantor Condensed Consolidating Financial Statements:

SunGard s senior notes are jointly and severally, fully and unconditionally guaranteed on a senior unsecured basis and the senior subordinated notes are jointly and severally, fully and unconditionally guaranteed on an unsecured senior subordinated basis, in each case, subject to certain exceptions, by substantially all wholly owned, domestic subsidiaries of SunGard (collectively, the Guarantors). Each of the Guarantors is 100% owned, directly or indirectly, by SunGard. None of the other subsidiaries of SunGard, either direct or indirect, nor any of the Holding Companies guarantee the senior notes and senior subordinated notes (Non-Guarantors). The Guarantors also unconditionally guarantee the senior secured credit facilities.

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The following tables present the financial position, results of operations and cash flows of SunGard (referred to as Parent Company for purposes of this note only), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and Eliminations as of December 31, 2008 and September 30, 2009, and for the three- and nine-month periods ended September 30, 2008 and 2009 to arrive at the information for SunGard on a consolidated basis. SCC and SCCII are neither parties nor guarantors to the debt issued as described in the notes to consolidated financial statements included in the Form 10-12G/A for SCC and SCCII filed in June 2009 or the Form 10-K for SunGard filed in March 2009.

Supplemental Condensed Consolidating Balance Sheet
December 31, 2008

(in millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current:					
Cash and cash equivalents	$ 511	$ 16	$ 448	$	$ 975
Intercompany balances	(5,192)	5,268	(76)		
Trade receivables, net	(1)	406	377		782
Prepaid expenses, taxes and other current assets	1,680	75	660	(1,677)	738
Total current assets	(3,002)	5,765	1,409	(1,677)	2,495
Property and equipment, net	1	619	278		898
Intangible assets, net	178	4,106	773		5,057
Intercompany balances	967	(720)	(247)		
Goodwill		6,146	1,182		7,328
Investment in subsidiaries	13,686	2,298		(15,984)	
Total Assets	$ 11,830	$ 18,214	$ 3,395	$ (17,661)	$ 15,778
Liabilities and Stockholder s Equity					
Current:					
Short-term and current portion of long-term debt	$ 295	$ 9	$ 18	$	$ 322
Accounts payable and other current liabilities	319	2,611	995	(1,677)	2,248
Total current liabilities	614	2,620	1,013	(1,677)	2,570
Long-term debt	8,227	9	317		8,553
Intercompany debt	(8)	416	(162)	(246)	
Deferred income taxes	(66)	1,483	175		1,592
Total liabilities	8,767	4,528	1,343	(1,923)	12,715
Total stockholder s equity	3,063	13,686	2,052	(15,738)	3,063
Total Liabilities and Stockholder s Equity	$ 11,830	$ 18,214	$ 3,395	$ (17,661)	$ 15,778

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Supplemental Condensed Consolidating Balance Sheet
September 30, 2009

(in millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current:					
Cash and cash equivalents	$ 7	$ (9)	$ 481	$	$ 479
Intercompany balances	(6,352)	5,549	803		
Trade receivables, net		738	305		1,043
Prepaid expenses, taxes and other current assets	1,783	76	516	(1,843)	532
Total current assets	(4,562)	6,354	2,105	(1,843)	2,054
Property and equipment, net	1	614	317		932
Intangible assets, net	173	3,849	650		4,672
Intercompany balances	980	(721)	(259)		
Goodwill		6,130	1,304		7,434
Investment in subsidiaries	14,500	2,663		(17,163)	
Total Assets	$ 11,092	$ 18,889	$ 4,117	$ (19,006)	$ 15,092
Liabilities and Stockholder s Equity					
Current:					
Short-term and current portion of long-term debt	$ 45	$ 6	$ 6	$	$ 57
Accounts payable and other current liabilities	230	2,731	1,055	(1,843)	2,173
Total current liabilities	275	2,737	1,061	(1,843)	2,230
Long-term debt	7,697	5	585		8,287
Intercompany debt	84	252	(161)	(175)	
Deferred income taxes	(57)	1,395	144		1,482
Total liabilities	7,999	4,389	1,629	(2,018)	11,999
Total stockholder s equity	3,093	14,500	2,488	(16,988)	3,093
Total Liabilities and Stockholder s Equity	$ 11,092	$ 18,889	$ 4,117	$ (19,006)	$ 15,092

Supplemental Condensed Consolidating Schedule of Operations
Three Months Ended September 30, 2008

(in millions)	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated

Total revenue	$	$ 830	$ 550	$ 14	$ 1,394

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