

SUNGARD DATA SYSTEMS INC
Form 10-Q
May 10, 2013

United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 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)

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 <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 (§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 <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 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).

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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 type="checkbox"/>	No	<input checked="" type="checkbox"/>

The number of shares of the registrants' common stock outstanding as of March 31, 2013:

SunGard Capital Corp.	256,357,639 shares of Class A common stock and 28,484,182 shares of Class L common stock
SunGard Capital Corp. II	100 shares of common stock
SunGard Data Systems Inc.	100 shares of common stock

SUNGARD CAPITAL CORP.

SUNGARD CAPITAL CORP. II

SUNGARD DATA SYSTEMS INC.

AND SUBSIDIARIES

INDEX

	PAGE
PART I. <u>FINANCIAL INFORMATION</u>	1
Item 1. <u>Financial Statements:</u>	
<u>SunGard Capital Corp.</u>	
<u>Consolidated Balance Sheets as of December 31, 2012 and March 31, 2013 (unaudited)</u>	2
<u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2013 (unaudited)</u>	3
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2013 (unaudited)</u>	4
<u>SunGard Capital Corp. II</u>	
<u>Consolidated Balance Sheets as of December 31, 2012 and March 31, 2013 (unaudited)</u>	5
<u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2013 (unaudited)</u>	6
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2013 (unaudited)</u>	7
<u>SunGard Data Systems Inc.</u>	
<u>Consolidated Balance Sheets as of December 31, 2012 and March 31, 2013 (unaudited)</u>	8
<u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2013 (unaudited)</u>	9
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2013 (unaudited)</u>	10
<u>Notes to Consolidated Financial Statements (unaudited)</u>	11
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	35
Item 4. <u>Controls and Procedures</u>	35

PART II.	<u>OTHER INFORMATION</u>	36
Item 1.	<u>Legal Proceedings</u>	36
Item 1A.	<u>Risk Factors</u>	36
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
Item 3.	<u>Defaults upon Senior Securities</u>	36
Item 4.	<u>Mine Safety Disclosures</u>	36
Item 5.	<u>Other Information</u>	36
Item 6.	<u>Exhibits</u>	36
	<u>SIGNATURES</u>	37

PART I. FINANCIAL INFORMATION

Explanatory Note

This Quarterly Report on Form 10-Q (Report) 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 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 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.

ITEM 1. FINANCIAL STATEMENTS

SunGard Capital Corp.

Consolidated Balance Sheets

(In millions except share and per-share amounts)

(Unaudited)

	December 31, 2012	March 31, 2013
Assets		
Current:		
Cash and cash equivalents	\$ 546	\$ 537
Trade receivables, less allowance for doubtful accounts of \$30 and \$29	781	648
Earned but unbilled receivables	119	117
Prepaid expenses and other current assets	230	257
Total current assets	1,676	1,559
Property and equipment, less accumulated depreciation of \$1,509 and \$1,569	874	835
Software products, less accumulated amortization of \$1,649 and \$1,688	411	381
Customer base, less accumulated amortization of \$1,481 and \$1,526	1,367	1,305
Other intangible assets, less accumulated amortization of \$27 and \$12	132	138
Trade name	1,019	1,019
Goodwill	4,539	4,505
Total Assets	\$ 10,018	\$ 9,742
Liabilities and Equity		
Current:		
Short-term and current portion of long-term debt	\$ 63	\$ 441
Accounts payable	32	25
Accrued compensation and benefits	297	224
Accrued interest expense	41	84
Other accrued expenses	238	207
Deferred revenue	836	842
Total current liabilities	1,507	1,823
Long-term debt	6,599	6,121
Deferred and other income taxes	1,127	1,096
Other long-term liabilities	95	96
Total liabilities	9,328	9,136
Commitments and contingencies		
Noncontrolling interest in preferred stock of SCCII subject to a put option	26	30
Class L common stock subject to a put option	45	49
Class A common stock subject to a put option	5	5
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 \$6,357 million; 50,000,000 shares authorized, 29,027,610 and 29,052,971 shares issued		
Class A common stock, par value \$.001 per share; 550,000,000 shares authorized, 261,251,822 and 261,480,074 shares issued		

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Capital in excess of par value	2,483	2,484
Treasury stock, 541,886 and 568,789 shares of Class L common stock; and 4,880,305 and 5,122,434 shares of Class A common stock	(50)	(52)
Accumulated deficit	(3,391)	(3,463)
Accumulated other comprehensive income (loss)	(3)	(47)
Total SunGard Capital Corp. stockholders' equity (deficit)	(961)	(1,078)
Noncontrolling interest in preferred stock of SCCII	1,575	1,600
Total equity	614	522
Total Liabilities and Equity	\$ 10,018	\$ 9,742

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

SunGard Capital Corp.

Consolidated Statements of Comprehensive Income

(In millions)

(Unaudited)

	Three Months Ended March 31,	
	2012	2013
Revenue:		
Services	\$ 974	\$ 949
License and resale fees	31	33
Total products and services	1,005	982
Reimbursed expenses	19	13
Total revenue	1,024	995
Costs and expenses:		
Cost of sales and direct operating (excluding depreciation)	453	437
Sales, marketing and administration	253	242
Product development and maintenance	94	100
Depreciation and amortization	71	73
Amortization of acquisition-related intangible assets	101	87
Total costs and expenses	972	939
Operating income (loss)	52	56
Interest expense and amortization of deferred financing fees	(122)	(108)
Loss on extinguishment of debt	(15)	(5)
Other income (expense)	2	1
Income (loss) from continuing operations before income taxes	(83)	(56)
Benefit from (provision for) income taxes	7	9
Income (loss) from continuing operations	(76)	(47)
Income (loss) from discontinued operations, net of tax	311	
Net income (loss)	235	(47)
Income attributable to the noncontrolling interest (including \$ million and \$ million in temporary equity)	(62)	(25)
Net income (loss) attributable to SunGard Capital Corp.	173	(72)
Other Comprehensive income (loss):		
Foreign currency translation, net	33	(46)
Unrealized gain (loss) on derivative instruments, net of tax	3	2
Other Comprehensive income (loss), net of tax	36	(44)
Comprehensive income (loss)	271	(91)
Comprehensive income (loss) attributable to the noncontrolling interest	(62)	(25)
Comprehensive income (loss) attributable to SunGard Capital Corp.	\$ 209	\$ (116)

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

SunGard Capital Corp.

Consolidated Statements of Cash Flows

(In millions)

(Unaudited)

	Three Months Ended March 31,	
	2012	2013
<i>Cash flow from operations:</i>		
Net income (loss)	\$ 235	\$ (47)
Income (loss) from discontinued operations	311	
Income (loss) from continuing operations	(76)	(47)
Reconciliation of income (loss) from continuing operations to cash flow from (used in) operations:		
Depreciation and amortization	172	160
Deferred income tax provision (benefit)	34	(31)
Stock compensation expense	11	11
Amortization of deferred financing costs and debt discount	12	16
Loss on extinguishment of debt	15	5
Other noncash items	(2)	
Accounts receivable and other current assets	82	102
Accounts payable and accrued expenses	(179)	(59)
Deferred revenue	1	21
Cash flow from (used in) continuing operations	70	178
Cash flow from (used in) discontinued operations	5	
Cash flow from (used in) operations	75	178
<i>Investment activities:</i>		
Cash paid for acquired businesses, net of cash acquired	(6)	(1)
Cash paid for property and equipment and software	(60)	(46)
Other investing activities	3	1
Cash provided by (used in) continuing operations	(63)	(46)
Cash provided by (used in) discontinued operations	1,740	
Cash provided by (used in) investment activities	1,677	(46)
<i>Financing activities:</i>		
Cash received from borrowings, net of fees	(19)	2,174
Cash used to repay debt	(1,225)	(2,302)
Cash used to purchase treasury stock	(3)	(3)
Other financing activities	(7)	(2)
Cash provided by (used in) continuing operations	(1,254)	(133)
Cash provided by (used in) discontinued operations		
Cash provided by (used in) financing activities	(1,254)	(133)
Effect of exchange rate changes on cash	7	(8)
Increase (decrease) in cash and cash equivalents	505	(9)

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Beginning cash and cash equivalents includes cash of discontinued operations: 2012, \$6; 2013, \$-	873	546
Ending cash and cash equivalents includes cash of discontinued operations: 2012, \$-; 2013, \$-	\$ 1,378	\$ 537
<i>Supplemental information:</i>		
Interest paid	\$ 101	\$ 49
Income taxes paid, net of refunds of \$3 million and \$1 million, respectively	\$ 19	\$ 29

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

SunGard Capital Corp. II

Consolidated Balance Sheets

(In millions except share and per-share amounts)

(Unaudited)

	December 31, 2012	March 31, 2013
Assets		
Current:		
Cash and cash equivalents	\$ 546	\$ 537
Trade receivables, less allowance for doubtful accounts of \$30 and \$29	781	648
Earned but unbilled receivables	119	117
Prepaid expenses and other current assets	230	256
Total current assets	1,676	1,558
Property and equipment, less accumulated depreciation of \$1,509 and \$1,569	874	835
Software products, less accumulated amortization of \$1,649 and \$1,688	411	381
Customer base, less accumulated amortization of \$1,481 and \$1,526	1,367	1,305
Other intangible assets, less accumulated amortization of \$27 and \$12	132	138
Trade name	1,019	1,019
Goodwill	4,539	4,505
Total Assets	\$ 10,018	\$ 9,741
Liabilities and Stockholders' Equity		
Current:		
Short-term and current portion of long-term debt	\$ 63	\$ 441
Accounts payable	32	25
Accrued compensation and benefits	297	224
Accrued interest expense	41	84
Other accrued expenses	235	206
Deferred revenue	836	842
Total current liabilities	1,504	1,822
Long-term debt	6,599	6,121
Deferred and other income taxes	1,127	1,095
Other long-term liabilities	76	77
Total liabilities	9,306	9,115
Commitments and contingencies		
Preferred stock subject to a put option	24	27
Stockholders' equity:		
Preferred stock, par value \$.001 per share; cumulative 11.5% per annum, compounded quarterly; aggregate liquidation preference of \$1,581 million and \$1,605 million; 14,999,000 shares authorized, 10,048,018 and 10,056,798 issued		
Common stock, par value \$.001 per share; 1,000 shares authorized, 100 shares issued and outstanding	3,492	3,495
Capital in excess of par value	(30)	(31)
Treasury stock, 187,576 and 196,889 shares	(2,771)	(2,818)
Accumulated deficit	(3)	(47)
Accumulated other comprehensive income (loss)	(3)	(47)

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Total stockholders' equity	688	599
Total Liabilities and Stockholders' Equity	\$ 10,018	\$ 9,741

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

SunGard Capital Corp. II

Consolidated Statements of Comprehensive Income

(In millions)

(Unaudited)

	Three Months Ended March 31,	
	2012	2013
Revenue:		
Services	\$ 974	\$ 949
License and resale fees	31	33
Total products and services	1,005	982
Reimbursed expenses	19	13
Total revenue	1,024	995
Costs and expenses:		
Cost of sales and direct operating (excluding depreciation)	453	437
Sales, marketing and administration	253	242
Product development and maintenance	94	100
Depreciation and amortization	71	73
Amortization of acquisition-related intangible assets	101	87
Total costs and expenses	972	939
Operating income (loss)	52	56
Interest expense and amortization of deferred financing fees	(122)	(108)
Loss on extinguishment of debt	(15)	(5)
Other income (expense)	2	1
Income (loss) from continuing operations before income taxes	(83)	(56)
Benefit from (provision for) income taxes	7	9
Income (loss) from continuing operations	(76)	(47)
Income (loss) from discontinued operations, net of tax	311	
Net income (loss)	235	(47)
Other Comprehensive income (loss):		
Foreign currency translation, net	33	(46)
Unrealized gain (loss) on derivative instruments, net of tax	3	2
Comprehensive income (loss)	\$ 271	\$ (91)

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

SunGard Capital Corp. II

Consolidated Statements of Cash Flows

(In millions)

(Unaudited)

	Three Months Ended March 31,	
	2012	2013
<i>Cash flow from operations:</i>		
Net income (loss)	\$ 235	\$ (47)
Income (loss) from discontinued operations	311	
Income (loss) from continuing operations	(76)	(47)
Reconciliation of income (loss) from continuing operations to cash flow from (used in) operations:		
Depreciation and amortization	172	160
Deferred income tax provision (benefit)	34	(31)
Stock compensation expense	11	11
Amortization of deferred financing costs and debt discount	12	16
Loss on extinguishment of debt	15	5
Other noncash items	(2)	
Accounts receivable and other current assets	82	102
Accounts payable and accrued expenses	(179)	(58)
Deferred revenue	1	21
Cash flow from (used in) continuing operations	70	179
Cash flow from (used in) discontinued operations	5	
Cash flow from (used in) operations	75	179
<i>Investment activities:</i>		
Cash paid for acquired businesses, net of cash acquired	(6)	(1)
Cash paid for property and equipment and software	(60)	(46)
Other investing activities	3	1
Cash provided by (used in) continuing operations	(63)	(46)
Cash provided by (used in) discontinued operations	1,740	
Cash used in investment activities	1,677	(46)
<i>Financing activities:</i>		
Cash received from borrowings, net of fees	(19)	2,174
Cash used to repay debt	(1,225)	(2,302)
Cash used to purchase treasury stock	(1)	(1)
Other financing activities	(9)	(5)
Cash provided by (used in) continuing operations	(1,254)	(134)
Cash provided by (used in) discontinued operations		
Cash provided by (used in) financing activities	(1,254)	(134)
Effect of exchange rate changes on cash	7	(8)
Increase (decrease) in cash and cash equivalents	505	(9)

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Beginning cash and cash equivalents includes cash of discontinued operations: 2012, \$6; 2013, \$-	873	546
Ending cash and cash equivalents includes cash of discontinued operations: 2012, \$-; 2013, \$-	\$ 1,378	\$ 537
<i>Supplemental information:</i>		
Interest paid	\$ 101	\$ 49
Income taxes paid, net of refunds of \$3 million and \$1 million, respectively	\$ 19	\$ 29

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

SunGard Data Systems Inc.

Consolidated Balance Sheets

(In millions except share and per-share amounts)

(Unaudited)

	December 31, 2012	March 31, 2013
Assets		
Current:		
Cash and cash equivalents	\$ 546	\$ 537
Trade receivables, less allowance for doubtful accounts of \$30 and \$29	781	648
Earned but unbilled receivables	119	117
Prepaid expenses and other current assets	230	253
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Customer base, less accumulated amortization of \$1,481 and \$1,526	1,367	1,305
Other intangible assets, less accumulated amortization of \$27 and \$12	132	138
Trade name	1,019	1,019
Goodwill	4,539	4,505
Total Assets	\$ 10,018	\$ 9,738
Liabilities and Stockholder's Equity		
Current:		
Short-term and current portion of long-term debt	\$ 63	\$ 441
Accounts payable	32	25
Accrued compensation and benefits	297	224
Accrued interest expense	41	84
Other accrued expenses	238	206
Deferred revenue	836	842
Total current liabilities	1,507	1,822
Long-term debt	6,599	6,121
Deferred and other income taxes	1,120	1,087
Other long-term liabilities	76	77
Total liabilities	9,302	9,107
Commitments and contingencies		
Stockholder's equity:		
Common stock, par value \$.01 per share; 100 shares authorized, issued and outstanding		
Capital in excess of par value	3,490	3,496
Accumulated deficit	(2,771)	(2,818)
Accumulated other comprehensive income (loss)	(3)	(47)
Total stockholder's equity	716	631
Total Liabilities and Stockholder's Equity	\$ 10,018	\$ 9,738

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

SunGard Data Systems Inc.

Consolidated Statements of Comprehensive Income

(In millions)

(Unaudited)

	Three Months Ended March 31,	
	2012	2013
Revenue:		
Services	\$ 974	\$ 949
License and resale fees	31	33
Total products and services	1,005	982
Reimbursed expenses	19	13
Total revenue	1,024	995
Costs and expenses:		
Cost of sales and direct operating (excluding depreciation)	453	437
Sales, marketing and administration	253	242
Product development and maintenance	94	100
Depreciation and amortization	71	73
Amortization of acquisition-related intangible assets	101	87
Total costs and expenses	972	939
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Comprehensive income (loss)	\$ 271	\$ (91)

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

SunGard Data Systems Inc.

Consolidated Statements of Cash Flows

(In millions)

(Unaudited)

	Three Months Ended March 31,	
	2012	2013
Cash flow from operations:		
Net income (loss)	\$ 235	\$ (47)
Income (loss) from discontinued operations	311	
Income (loss) from continuing operations	(76)	(47)
Reconciliation of income (loss) from continuing operations to cash flow from (used in) operations:		
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Other investing activities	3	1
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Cash provided by (used in) discontinued operations	1,740	
Cash used in investment activities	1,677	(46)
Financing activities:		
Cash received from borrowings, net of fees	(19)	2,174
Cash used to repay debt	(1,225)	(2,302)
Other financing activities	(10)	(6)
Cash provided by (used in) continuing operations	(1,254)	(134)
Cash provided by (used in) discontinued operations		
Cash provided by (used in) financing activities	(1,254)	(134)
Effect of exchange rate changes on cash	7	(8)
Increase (decrease) in cash and cash equivalents	505	(9)
Beginning cash and cash equivalents includes cash of discontinued operations: 2012, \$6; 2013, \$-	873	546

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Ending cash and cash equivalents includes cash of discontinued operations: 2012, \$-; 2013, \$-	\$ 1,378	\$ 537
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Supplemental information:

Interest paid	\$ 101	\$ 49
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Income taxes paid, net of refunds of \$3 million and \$1 million, respectively	\$ 19	\$ 29
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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 LBO) in a leveraged buy-out by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (collectively, the Sponsors).

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II (SCCII), which is a subsidiary of SunGard Capital Corp. (SCC). All four of these companies were formed for the purpose of facilitating the LBO and are collectively referred to as the Holding Companies. SCC, SCCII and SunGard are separate reporting companies and, together with their direct and indirect subsidiaries, are collectively referred to as the Company. The Holding Companies have no other operations beyond those of their ownership of SunGard.

SunGard is one of the world's leading software and technology services companies and has three segments: Financial Systems (FS), Availability Services (AS) and Public Sector & Education (PS&E), which is comprised of the Company's Public Sector business and K-12 Education business. The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

The accompanying interim consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), consistent in all material respects with those applied in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. 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, 2013.

As discussed in Note 2 and Note 12, the presentation of certain prior year amounts has been revised to conform to the current year presentation.

Recent Accounting Pronouncements

On July 27, 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2012-02, *Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*. The Update simplifies the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill. Examples of intangible assets subject to the guidance include indefinite-lived trademarks, licenses, and distribution rights. The amendment allows an organization the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. An organization electing to perform a qualitative assessment is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the organization determines, based on a qualitative assessment, that it is more likely than not that the asset is impaired. Under former guidance, an organization was required to test an indefinite-lived intangible asset for impairment on at least an annual basis by comparing the fair value of the asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeded its fair value, an impairment loss was recognized in an amount equal to the difference. The amendments in this Update are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Company has not yet adopted this Update and has used the former, more extensive testing during its 2012 impairment tests. The Company intends to evaluate the Update as it performs its 2013 impairment review in the third quarter.

2. Expense Classification:

During a review of spending by functional area, the Company identified a misclassification of certain expenses in 2010, 2011 and 2012. The misclassification stems from the treatment of certain offshore resources by functional area. It resulted in an understatement of product development and maintenance expense with an offsetting overstatement within cost of sales and direct operating expense and sales, marketing and administration expense. There was no impact on total reported expenses for any period and therefore no impact on operating or net income.

Accordingly, for the three months ended March 31, 2012, product development and maintenance expense has been revised from \$86 million to \$94 million, cost of sales and direct operating has been revised from \$458 million to \$453 million, and sales, marketing and administration has been revised from \$256 million to \$253 million. For 2010, product development and maintenance expense has been revised from \$350 million to \$391 million, cost of sales and direct operating has been revised from \$1,895 million to \$1,877 million, and sales, marketing and administration has been revised from \$1,057 million to \$1,034 million. For 2011, product development and maintenance expense has been revised from \$393 million to \$426 million, cost of sales and direct operating has been revised from \$1,848 million to \$1,822 million, and sales, marketing and administration has been revised from \$1,108 million to \$1,101 million. For 2012, product development and maintenance expense has been revised from \$353 million to \$393 million, cost of sales and direct operating has been revised from \$1,740 million to \$1,735 million, and sales, marketing and administration has been revised from \$1,039 million to \$1,004 million. In future filings, any comparative period presentation will be revised when those periods are presented. The misclassifications were not material to the consolidated financial statements.

3. Discontinued Operations:

In January 2012, the Company sold its Higher Education (HE) business and used the net cash proceeds (as defined in its senior secured credit agreement) of \$1,222 million, which is the gross transaction value of \$1,775 million less applicable taxes and fees, to repay a pro-rata portion of its outstanding term loans. In July 2012, the Company sold its FS subsidiary SunGard Global Services France for gross proceeds of 14 million. The results for discontinued operations have been represented for the three months ended March 31, 2012 to show the impact of these sales.

The results for the discontinued operations for the three months ended March 31, 2012 and 2013 were as follows (in millions):

	Three Months Ended	
	March 31, 2012	March 31, 2013
Revenue	\$ 37	\$
Operating income (loss)	(3)	
Gain on sale of business	563	
Income (loss) before income taxes	560	
Benefit from (provision for) income taxes	(249)	
Income (loss) from discontinued operations	\$ 311	\$

In the first quarter of 2012, the Company recorded a \$563 million pre-tax gain on the sale of the HE business.

4. Goodwill and Intangibles:

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

	Cost			Subtotal	Accumulated Impairment			Total
	FS	AS	PS&E		AS	PS&E	Subtotal	
Balance at December 31, 2012	\$ 3,516	\$ 2,243	\$ 544	\$ 6,303	\$ (1,547)	\$ (217)	\$ (1,764)	\$ 4,539
Effect of foreign currency translation	(21)	(12)		(33)				(33)
Other	(1)			(1)				(1)
Balance at March 31, 2013	\$ 3,494	\$ 2,231	\$ 544	\$ 6,269	\$ (1,547)	\$ (217)	\$ (1,764)	\$ 4,505

Based on amounts recorded at March 31, 2013, total expected amortization of all acquisition-related intangible assets in each of the years ended December 31 follows (in millions):

2013	\$ 340
2014	290
2015	234
2016	214
2017	207

5. Accumulated Other Comprehensive Income:

The following table summarizes the unrealized gains (losses) on derivative instruments including the impact of components reclassified into net income from accumulated other comprehensive income for the three months ended March 31, 2012 and 2013 (in millions):

Other Comprehensive Income Components	Three Months Ended March 31,		Affected Line Item in the Statement of Comprehensive Income for Components Reclassified from OCI
	2012	2013	
Unrealized gain (loss) on cash flow hedges and other	\$	\$ 1	
Less: gain (loss) on cash flow hedges reclassified into income			
Interest rate contracts	4	3	Interest expense and amortization of deferred financing fees
Currency forward contracts		(1)	Cost of sales and direct operating
Total reclassified into income	4	2	
Less: income tax benefit (expense)	(1)	(1)	
Unrealized gain (loss) on derivative instruments, net of tax	\$ 3	\$ 2	

The following table provides a rollforward of the components of accumulated other comprehensive loss, net of tax, through March 31, 2013 as follows (in millions):

Gains and Losses on Cash Flow Hedges	Currency Translation	Accumulated Other Comprehensive
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			Income
Balance at December 31, 2012	\$ 1	\$ (4)	\$ (3)
Other comprehensive income before reclassifications	1	(46)	(45)
Amounts reclassified from accumulated other comprehensive income net of tax	1		1
Net current-period other comprehensive income	2	(46)	(44)
Balance at March 31, 2013	\$ 3	\$ (50)	\$ (47)

6. Debt and Derivatives:

On January 2, 2013, SunGard repaid a \$50 million revolving Credit Advance borrowed under its secured accounts receivable facility.

On March 8, 2013, SunGard amended and restated its senior secured credit agreement (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 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 pro rata 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, which at March 31, 2013 was 4.00%. SunGard is required to repay installments in quarterly principal amounts of 0.25% of its funded tranche E principal amount through the maturity date, at which time the remaining aggregate principal balance is due. Tranche E and the new revolving commitments are subject to certain springing maturities which are described in the Credit Agreement. As a result of this transaction, the Company incurred a loss on the extinguishment of debt of approximately \$5 million.

On March 28, 2013, SunGard voluntarily prepaid \$50 million of its tranche A term loan. The related loss on the extinguishment of debt was not material to the Company's operations, financial position or cash flows.

Debt consisted of the following (in millions):

	December 31, 2012	March 31, 2013
Senior Secured Credit Facilities:		
Secured revolving credit facility	\$	\$
Tranche A, effective interest rate of 1.96% and 1.95%	207	157
Tranche B, effective interest rate of 4.35%	1,719	
Tranche C, effective interest rate of 4.17% and 4.41%	908	427
Tranche D, effective interest rate of 4.50% and 4.50%	720	718
Tranche E, effective interest rate of 4.00%		2,200
Total Senior Secured Credit Facilities	3,554	3,502
Senior Secured Notes due 2014 at 4.875%, net of discount of \$4 and \$3	246	247
Senior Notes due 2018 at 7.375%	900	900
Senior Notes due 2020 at 7.625%	700	700
Senior Subordinated Notes due 2019 at 6.625%	1,000	1,000
Secured accounts receivable facility, at 3.71% and 3.70%	250	200
Other, primarily foreign bank debt and capital lease obligations	12	13
Total debt	6,662	6,562
Short-term borrowings and current portion of long-term debt	(63)	(441)
Long-term debt	\$ 6,599	\$ 6,121

SunGard 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 Credit Agreement. Each swap agreement is designated as a cash flow hedge. SunGard pays a stream of fixed interest payments for the term of the swap, and in turn, receives variable interest payments based on LIBOR. At March 31, 2013, one-month LIBOR was 0.20%. The net receipt or payment from the interest rate swap agreements is included in interest expense. As a result of amending the Credit Agreement and issuing tranche E in March 2013, SunGard settled \$500 million of interest rate swaps in March 2013 that were due to mature in May 2013. The interest rates in the table above reflect the impact of the swaps. A summary of the Company's interest rate swaps at March 31, 2013 follows (in millions):

Inception	Maturity	Notional Amount	Interest rate paid	Interest rate
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		(in millions)		received (LIBOR)
August-September 2012	February 2017	\$ 400	0.69%	1-Month

The fair values of interest rate swaps designated as cash flow hedging instruments, included in other accrued expenses on the consolidated balance sheets, are \$5 million and \$1 million as of December 31, 2012 and March 31, 2013, respectively.

The Company has no ineffectiveness related to its swap agreements. The Company expects to reclassify in the next twelve months approximately \$2 million from other comprehensive income (loss) into earnings related to the Company's interest rate swaps based on the borrowing rates at March 31, 2013.

7. Fair Value Measurements:

The following table summarizes assets and liabilities measured at fair value on a recurring basis at March 31, 2013 (in millions):

	Fair Value Measures Using			Total
	Level 1	Level 2	Level 3	
Assets				
Cash and cash equivalents money market funds	\$ 200	\$	\$	\$ 200
Currency forward contracts		8		8
Total	200	8		208
Liabilities				
Interest rate swap agreements	\$	\$ 1	\$	\$ 1

The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31, 2012 (in millions):

	Fair Value Measures Using			Total
	Level 1	Level 2	Level 3	
Assets				
Cash and cash equivalents money market funds	\$ 227	\$	\$	\$ 227
Currency forward contracts		4		4
Total	\$ 227	\$ 4	\$	\$ 231
Liabilities				
Interest rate swap agreements and other	\$	\$ 4	\$	\$ 4

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

Cash and cash equivalents money market funds are recognized and measured at fair value in the Company's financial statements. Fair values of the interest rate swap agreements are calculated using a discounted cash flow model using observable applicable market swap rates and assumptions and are compared to market valuations obtained from brokers.

The Company uses currency forward contracts to manage its exposure to fluctuations in costs caused by variations in Indian Rupee (INR) and British Pound Sterling (GBP) exchange rates. These forward contracts are designated as cash flow hedges. The fair value of these currency forward contracts is determined using currency exchange market rates, obtained from independent, third party banks, at the balance sheet date. This fair value of forward contracts is subject to changes in currency exchange rates. The Company has no ineffectiveness related to its use of currency forward contracts.

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The following table presents the carrying amount and estimated fair value of the Company's debt, including the current portion and excluding the interest rate swaps, as of December 31, 2012 and March 31, 2013 (in millions):

	December 31, 2012		March 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Floating rate debt	\$ 3,803	\$ 3,826	\$ 3,702	\$ 3,740
Fixed rate debt	2,859	3,023	2,860	3,018

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, to the extent the underlying liability will be settled in cash, approximate carrying values because of the short-term nature of these instruments. The derivative financial instruments are carried at fair value. The fair value of the Company's floating rate and fixed rate long-term debt (Level 2) is determined using actual market quotes and benchmark yields received from independent vendors.

8. Equity:

A rollforward of SCC's equity for 2013 follows (in millions):

	SunGard Capital Corp. stockholders				Noncontrolling interest		
	Class L - temporary equity	Class A - temporary equity	Permanent equity	Total	Temporary equity	Permanent equity	Total
Balance at December 31, 2012	\$ 45	\$ 5	\$ (961)	\$ (911)	\$ 26	\$ 1,575	\$ 1,601
Net income (loss)			(72)	(72)		25	25
Foreign currency translation			(46)	(46)			