

SUNGARD CAPITAL CORP
Form 10-Q
November 12, 2014
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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 September 30, 2014**

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)	

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

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).

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 September 30, 2014:

SunGard Capital Corp.	257,524,435 shares of Class A common stock and 28,613,824 shares of Class L common stock
SunGard Capital Corp. II	100 shares of common stock
SunGard Data Systems Inc.	100 shares of common stock

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SUNGARD CAPITAL CORP.

SUNGARD CAPITAL CORP. II

SUNGARD DATA SYSTEMS INC.

AND SUBSIDIARIES

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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.

Table of Contents**ITEM 1. FINANCIAL STATEMENTS****SunGard Capital Corp.****Consolidated Balance Sheets****(In millions except share and per-share amounts)****(Unaudited)**

	December 31, 2013	September 30, 2014
Assets		
Current:		
Cash and cash equivalents	\$ 675	\$ 396
Trade receivables, less allowance for doubtful accounts of \$17 and \$20	565	398
Earned but unbilled receivables	92	111
Prepaid expenses and other current assets	127	134
Assets of discontinued operations	2,516	
Total current assets	3,975	1,039
Property and equipment, less accumulated depreciation of \$376 and \$405	152	147
Software products, less accumulated amortization of \$1,644 and \$1,735	270	222
Customer base, less accumulated amortization of \$486 and \$520	421	375
Other assets, less accumulated amortization of \$21 and \$22	113	100
Trade name	1,019	672
Goodwill	3,828	3,784
Total Assets	\$ 9,778	\$ 6,339
Liabilities and Equity		
Current:		
Short-term and current portion of long-term debt	\$ 290	\$ 2
Accounts payable	8	8
Accrued compensation and benefits	245	194
Accrued interest expense	40	69
Other accrued expenses	129	98
Deferred revenue	589	509
Liabilities of discontinued operations	799	
Total current liabilities	2,100	880
Long-term debt	6,094	4,669
Deferred and other income taxes	746	639
Other long-term liabilities	39	39

Total liabilities	8,979	6,227
Commitments and contingencies		
Noncontrolling interest in preferred stock of SCCII subject to a put option	42	32
Class L common stock subject to a put option	58	53
Class A common stock subject to a put option	4	3
Stockholders' equity:		
Class L common stock, convertible, par value \$.001 per share; cumulative 13.5% per annum, compounded quarterly; aggregate liquidation preference of \$7,040 million and \$7,799 million; 50,000,000 shares authorized, 29,062,421 shares issued		
Class A common stock, par value \$.001 per share; 550,000,000 shares authorized, 261,565,118 shares issued		
Capital in excess of par value	2,482	2,674
Treasury stock, 528,709 and 448,597 shares of Class L common stock; and 4,761,694 and 4,040,683 shares of Class A common stock	(47)	(39)
Accumulated deficit	(3,497)	(3,964)
Accumulated other comprehensive income (loss)	16	(94)
Total SunGard Capital Corp. stockholders' equity (deficit)	(1,046)	(1,423)
Noncontrolling interest in preferred stock of SCCII	1,741	1,447
Total equity	695	24
Total Liabilities and Equity	\$ 9,778	\$ 6,339

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
Revenue:				
Services	\$ 607	\$ 624	\$ 1,801	\$ 1,842
License and resale fees	64	59	164	150
Total products and services	671	683	1,965	1,992
Reimbursed expenses	7	8	24	25
Total revenue	678	691	1,989	2,017
Costs and expenses:				
Cost of sales and direct operating (excluding depreciation)	244	271	757	799
Sales, marketing and administration	157	171	471	503
Product development and maintenance	103	96	309	300
Depreciation	24	28	73	79
Amortization of acquisition-related intangible assets	43	30	138	114
Trade name impairment charge				339
Total costs and expenses	571	596	1,748	2,134
Operating income (loss)	107	95	241	(117)
Other income (expense):				
Interest income	1		1	1
Interest expense and amortization of deferred financing fees	(78)	(73)	(247)	(220)
Loss on extinguishment of debt	(1)		(6)	(61)
Other income (expense)			(2)	
Other income (expense)	(78)	(73)	(254)	(280)
Income (loss) from continuing operations before income taxes	29	22	(13)	(397)

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Benefit from (provision for) income taxes	(7)	(11)	5	88
Income (loss) from continuing operations	22	11	(8)	(309)
Income (loss) from discontinued operations, net of tax	1		(1)	(17)
Net income (loss)	23	11	(9)	(326)
(Income) attributable to the noncontrolling interest	(49)	(42)	(121)	(132)
Net income (loss) attributable to SunGard Capital Corp.	(26)	(31)	(130)	(458)
Other comprehensive income (loss):				
Foreign currency translation, net	54	(49)	10	(110)
Unrealized gain (loss) on derivative instruments, net of tax	(1)	2		
Other, net of tax	(1)		(6)	
Other comprehensive income (loss), net of tax	52	(47)	4	(110)
Comprehensive income (loss)	75	(36)	(5)	(436)
Comprehensive (income) loss attributable to the noncontrolling interest	(49)	(42)	(121)	(132)
Comprehensive income (loss) attributable to SunGard Capital Corp.	\$ 26	\$ (78)	\$ (126)	\$ (568)

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

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

	Nine Months Ended September 30,	
	2013	2014
<i>Cash flow from operations:</i>		
Net income (loss)	\$ (9)	\$ (326)
Income (loss) from discontinued operations	(1)	(17)
Income (loss) from continuing operations	(8)	(309)
Reconciliation of income (loss) from continuing operations to cash flow from (used in) operations:		
Depreciation and amortization	211	193
Trade name impairment charge		339
Deferred income tax provision (benefit)	(20)	(105)
Stock compensation expense	30	33
Amortization of deferred financing costs and debt discount	30	14
Loss on extinguishment of debt	6	61
Other noncash items	2	
Changes in working capital:		
Accounts receivable and other current assets	169	135
Accounts payable and accrued expenses	(45)	(65)
Deferred revenue	(51)	(74)
Cash flow from (used in) continuing operations	324	222
Cash flow from (used in) discontinued operations	242	34
Cash flow from (used in) operations	566	256
<i>Investment activities:</i>		
Cash paid for acquired businesses, net of cash acquired	(1)	(4)
Cash paid for property and equipment, and software	(70)	(98)
Cash provided by (used in) continuing operations	(71)	(102)
Cash provided by (used in) discontinued operations	(89)	7
Cash provided by (used in) investment activities	(160)	(95)
<i>Financing activities:</i>		
Cash received from borrowings, net of fees	2,173	(7)

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Cash used to repay debt	(2,418)	(1,324)
Cash used to purchase treasury stock	(7)	(7)
Other financing activities	(8)	(11)
Cash provided by (used in) continuing operations	(260)	(1,349)
Cash provided by (used in) discontinued operations	(1)	887
Cash provided by (used in) financing activities	(261)	(462)
Effect of exchange rate changes on cash	(2)	(9)
Increase (decrease) in cash and cash equivalents	143	(310)
Beginning cash and cash equivalents, including cash of discontinued operations: 2013, \$11; 2014, \$31	546	706
Ending cash and cash equivalents, including cash of discontinued operations: 2013, \$31; 2014, \$-	\$ 689	\$ 396

Supplemental information:

Interest paid	\$ 223	\$ 195
Income taxes paid, net of refunds of \$13 million, \$17 million, respectively	\$ 64	\$ 32
Non-cash financing activities:		
Distribution of net assets of SpinCo (see Note 1)	\$	\$ 229
Receipt of SpinCo Notes in connection with the AS Split-Off (see Note 1)	\$	\$ 425
Exchange of SpinCo Notes for SunGard Notes (see Note 6)	\$	\$ 389

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)****(Unaudited)**

	December 31, 2013	September 30, 2014
Assets		
Current:		
Cash and cash equivalents	\$ 675	\$ 396
Trade receivables, less allowance for doubtful accounts of \$17 and \$20	565	398
Earned but unbilled receivables	92	111
Prepaid expenses and other current assets	127	134
Assets of discontinued operations	2,516	
Total current assets	3,975	1,039
Property and equipment, less accumulated depreciation of \$376 and \$405	152	147
Software products, less accumulated amortization of \$1,644 and \$1,735	270	222
Customer base, less accumulated amortization of \$486 and \$520	421	375
Other assets, less accumulated amortization of \$21 and \$22	113	100
Trade name	1,019	672
Goodwill	3,828	3,784
Total Assets	\$ 9,778	\$ 6,339
Liabilities and Stockholders Equity		
Current:		
Short-term and current portion of long-term debt	\$ 290	\$ 2
Accounts payable	8	8
Accrued compensation and benefits	245	194
Accrued interest expense	40	69
Other accrued expenses	128	97
Deferred revenue	589	509
Liabilities of discontinued operations	799	
Total current liabilities	2,099	879
Long-term debt	6,094	4,669
Deferred and other income taxes	746	639
Other long-term liabilities	22	28
Total liabilities	8,961	6,215

Commitments and contingencies		
Preferred stock subject to a put option	37	28
Stockholders' equity:		
Preferred stock, par value \$.001 per share; cumulative 11.5% per annum, compounded quarterly; aggregate liquidation preference of \$1,752 million and \$1,456 million; 14,999,000 shares authorized, 10,060,069 shares issued		
Common stock, par value \$.001 per share; 1,000 shares authorized, 100 shares issued and outstanding		
Capital in excess of par value	3,501	3,517
Treasury stock, 183,014 and 2,517,991 shares	(29)	(284)
Accumulated deficit	(2,708)	(3,043)
Accumulated other comprehensive income (loss)	16	(94)
Total stockholders' equity	780	96
Total Liabilities and Stockholders' Equity	\$ 9,778	\$ 6,339

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
Revenue:				
Services	\$ 607	\$ 624	\$ 1,801	\$ 1,842
License and resale fees	64	59	164	150
Total products and services	671	683	1,965	1,992
Reimbursed expenses	7	8	24	25
Total revenue	678	691	1,989	2,017
Costs and expenses:				
Cost of sales and direct operating (excluding depreciation)	244	271	757	799
Sales, marketing and administration	157	171	471	503
Product development and maintenance	103	96	309	300
Depreciation	24	28	73	79
Amortization of acquisition-related intangible assets	43	30	138	114
Trade name impairment charge				339
Total costs and expenses	571	596	1,748	2,134
Operating income (loss)	107	95	241	(117)
Other income (expense):				
Interest income	1		1	1
Interest expense and amortization of deferred financing fees	(78)	(73)	(247)	(220)
Loss on extinguishment of debt	(1)		(6)	(61)
Other income (expense)			(2)	
Other income (expense)	(78)	(73)	(254)	(280)
Income (loss) from continuing operations before income taxes	29	22	(13)	(397)

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Benefit from (provision for) income taxes	(7)	(11)	5	88
Income (loss) from continuing operations	22	11	(8)	(309)
Income (loss) from discontinued operations, net of tax	1		(1)	(17)
Net income (loss)	23	11	(9)	(326)
Other comprehensive income (loss):				
Foreign currency translation, net	54	(49)	10	(110)
Unrealized gain (loss) on derivative instruments, net of tax	(1)	2		
Other, net of tax	(1)		(6)	
Other comprehensive income (loss)	52	(47)	4	(110)
Comprehensive income (loss)	\$ 75	\$ (36)	\$ (5)	\$ (436)

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)****(Unaudited)**

	Nine Months Ended September 30,	
	2013	2014
<i>Cash flow from operations:</i>		
Net income (loss)	\$ (9)	\$ (326)
Income (loss) from discontinued operations	(1)	(17)
Income (loss) from continuing operations	(8)	(309)
Reconciliation of income (loss) from continuing operations to cash flow from (used in) operations:		
Depreciation and amortization	211	193
Trade name impairment charge		339
Deferred income tax provision (benefit)	(20)	(105)
Stock compensation expense	30	33
Amortization of deferred financing costs and debt discount	30	14
Loss on extinguishment of debt	6	61
Other noncash items	2	
Changes in working capital:		
Accounts receivable and other current assets	169	135
Accounts payable and accrued expenses	(42)	(65)
Deferred revenue	(51)	(74)
Cash flow from (used in) continuing operations	327	222
Cash flow from (used in) discontinued operations	242	34
Cash flow from (used in) operations	569	256
<i>Investment activities:</i>		
Cash paid for acquired businesses, net of cash acquired	(1)	(4)
Cash paid for property and equipment, and software	(70)	(98)
Cash provided by (used in) continuing operations	(71)	(102)
Cash provided by (used in) discontinued operations	(89)	7
Cash provided by (used in) investment activities	(160)	(95)
<i>Financing activities:</i>		
Cash received from borrowings, net of fees	2,173	(7)

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Cash used to repay debt	(2,418)	(1,324)
Cash used to purchase treasury stock	(3)	(3)
Other financing activities	(15)	(15)
Cash provided by (used in) continuing operations	(263)	(1,349)
Cash provided by (used in) discontinued operations	(1)	887
Cash provided by (used in) financing activities	(264)	(462)
Effect of exchange rate changes on cash	(2)	(9)
Increase (decrease) in cash and cash equivalents	143	(310)
Beginning cash and cash equivalents, including cash of discontinued operations: 2013, \$11; 2014, \$31	546	706
Ending cash and cash equivalents, including cash of discontinued operations: 2013, \$31; 2014, \$-	\$ 689	\$ 396
<i>Supplemental information:</i>		
Interest paid	\$ 223	\$ 195
Income taxes paid, net of refunds of \$13 million, \$17 million, respectively	\$ 64	\$ 32
Non-cash financing activities:		
Distribution of net assets of SpinCo (see Note 1)	\$	\$ 229
Receipt of SpinCo Notes in connection with the AS Split-Off (see Note 1)	\$	\$ 425
Exchange of SpinCo Notes for SunGard Notes (see Note 6)	\$	\$ 389

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Earned but unbilled receivables	92	111
Prepaid expenses and other current assets	123	134
Assets of discontinued operations	2,516	
Total current assets	3,971	1,039
Property and equipment, less accumulated depreciation of \$376 and \$405	152	147
Software products, less accumulated amortization of \$1,644 and \$1,735	270	222
Customer base, less accumulated amortization of \$486 and \$520	421	375
Other assets, less accumulated amortization of \$21 and \$22	113	100
Trade name	1,019	672
Goodwill	3,828	3,784
Total Assets	\$ 9,774	\$ 6,339
Liabilities and Stockholder's Equity		
Current:		
Short-term and current portion of long-term debt	\$ 290	\$ 2
Accounts payable	8	8
Accrued compensation and benefits	245	194
Accrued interest expense	40	69
Other accrued expenses	127	96
Deferred revenue	589	509
Liabilities of discontinued operations	799	
Total current liabilities	2,098	878
Long-term debt	6,094	4,669
Deferred and other income taxes	739	631
Other long-term liabilities	22	28
Total liabilities	8,953	6,206

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	3,513	3,373
Accumulated deficit	(2,708)	(3,146)
Accumulated other comprehensive income (loss)	16	(94)
Total stockholder's equity	821	133
Total Liabilities and Stockholder's Equity	\$ 9,774	\$ 6,339

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

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Product development and maintenance	103	96	309	300
Depreciation	24	28	73	79
Amortization of acquisition-related intangible assets	43	30	138	114
Trade name impairment charge				339
Total costs and expenses	571	596	1,748	2,134
Operating income (loss)	107	95	241	(117)
Other income (expense):				
Interest income	1		1	1
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Loss on extinguishment of debt	(1)		(6)	(61)
Other income (expense)			(2)	
Other income (expense)	(78)	(73)	(254)	(280)
Income (loss) from continuing operations before income taxes	29	22	(13)	(397)
Benefit from (provision for) income taxes	(7)	(11)	5	88
Income (loss) from continuing operations	22	11	(8)	(309)

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Income (loss) from discontinued operations, net of tax	1		(1)	(17)
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Other comprehensive income (loss):				
Foreign currency translation, net	54	(49)	10	(110)
Unrealized gain (loss) on derivative instruments, net of tax	(1)	2		
Other, net of tax	(1)		(6)	
Other comprehensive income (loss)	52	(47)	4	(110)
Comprehensive income (loss)	\$ 75	\$ (36)	\$ (5)	\$ (436)

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

	Nine Months Ended September 30,	
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Cash flow from (used in) operations	569	256
<i>Investment activities:</i>		
Cash paid for acquired businesses, net of cash acquired	(1)	(4)
Cash paid for property and equipment, and software	(70)	(98)
Cash provided by (used in) continuing operations	(71)	(102)
Cash provided by (used in) discontinued operations	(89)	7
Cash provided by (used in) investment activities	(160)	(95)
<i>Financing activities:</i>		
Cash received from borrowings, net of fees	2,173	(7)

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Cash used to repay debt	(2,418)	(1,324)
Other financing activities	(18)	(18)
Cash provided by (used in) continuing operations	(263)	(1,349)
Cash provided by (used in) discontinued operations	(1)	887
Cash provided by (used in) financing activities	(264)	(462)
Effect of exchange rate changes on cash	(2)	(9)
Increase (decrease) in cash and cash equivalents	143	(310)
Beginning cash and cash equivalents, including cash of discontinued operations: 2013, \$11; 2014, \$31	546	706
Ending cash and cash equivalents, including cash of discontinued operations: 2013, \$31; 2014, \$-	\$ 689	\$ 396
<i>Supplemental information:</i>		
Interest paid	\$ 223	\$ 195
Income taxes paid, net of refunds of \$13 million, \$17 million, respectively	\$ 64	\$ 32
Non-cash Financing activities:		
Distribution of net assets of SpinCo (see Note 1)	\$	\$ 233
Receipt of SpinCo Notes in connection with the AS Split-Off (see Note 1)	\$	\$ 425
Exchange of SpinCo Notes for SunGard Notes (see Note 6)	\$	\$ 389

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

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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) is one of the world's leading software and technology services companies and has two reportable segments: Financial Systems (FS) and Public Sector & Education (PS&E). The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

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 (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.

On March 31, 2014, SunGard completed the split-off of its Availability Services (AS) business to its existing stockholders, including its private equity owners, on a tax-free and pro-rata basis. As part of that transaction, the assets and liabilities of the AS business were contributed to a new subsidiary, and then SunGard transferred all of its ownership interests in that subsidiary to Sungard Availability Services Capital, Inc. (SpinCo) in exchange for common stock of SpinCo, approximately \$425 million of SpinCo senior notes (SpinCo Notes), and \$1,005 million of net cash proceeds from the issuance of an AS term loan facility (SpinCo Term Loan). Immediately after these transactions, SunGard distributed the common stock of SpinCo through SunGard's ownership chain ultimately to SCCII, and then all stockholders of preferred stock of SCCII exchanged a portion of their shares of preferred stock for all of the shares of common stock of SpinCo on a pro-rata basis (together, with the transactions described above, the AS Split-Off). As a result, on March 31, 2014 the preferred stockholders of SCCII owned 100% of the common stock of SpinCo, a separate, independent company. The distribution of AS's net assets in connection with the AS Split-Off was based on the recorded amount of the net assets and did not result in a gain or loss upon disposal in the consolidated financial statements.

The AS business and two small FS businesses which were sold on January 31, 2014 have been included in our financial results as discontinued operations for all periods presented.

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, 2013. The Company's annual financial statements were revised in the Registration Statement on Form S-1/A filed on September 3, 2014. 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, 2014.

Certain prior year amounts have been reclassified to conform to current presentation. Refer to Note 2 of the Notes to Consolidated Financial Statements for information regarding the reclassification of facilities and information technology-related expenses to more accurately present them within the functional classes of expenses for the three and nine month periods ended September 30, 2013.

The Consolidated Balance Sheet as of December 31, 2013 has been revised to correct an immaterial misclassification of certain income tax receivable balances. Total assets and total liabilities each decreased by \$7 million at December 31, 2013.

Recent Accounting Pronouncements

Recently Adopted

In March 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-05, Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets

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within a Foreign Entity or of an Investment in Foreign Entity. This new guidance clarified that when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business, the parent should only release the related cumulative translation adjustment (CTA) into net income if the deconsolidation or derecognition results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets resided. The adoption of ASU 2013-05 on January 1, 2014 did not have an impact on the consolidated financial statements as the Company has historically accounted for the removal of CTA related to sales of non-U.S. entities consistent with this new guidance.

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* to eliminate diversity in practice in the presentation of unrecognized tax benefits in those instances. This ASU requires that companies net their unrecognized tax benefits against all same-jurisdiction deferred tax assets for net operating losses or tax credit carryforwards that would be used to settle the position with a tax authority to the extent such deferred tax assets are available. If this criteria does not apply or the tax law of the applicable jurisdiction does not require the entity to use and the entity does not intend to use the deferred tax assets for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The adoption of ASU 2013-11 on January 1, 2014 did not have a material impact on the consolidated financial statements.

Recently Issued

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* that changes the criteria for reporting a discontinued operation. According to the new guidance, only disposals of a component that represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results is a discontinued operation. The new guidance also requires expanded disclosures about discontinued operations and disposals of a significant part of an entity that does not qualify for discontinued operations reporting. ASU 2014-08 is effective beginning January 1, 2015 with early adoption permitted, but only for disposals (or classifications as held for sale) that have not been reported in previously-issued financial statements. Once adopted, ASU 2014-08 will affect how the Company identifies and presents discontinued operations in the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which outlines a comprehensive revenue recognition model and supersedes most current revenue recognition guidance. This new guidance establishes a five step process, which companies must use in order to recognize revenue properly. Those five steps are: (i) identifying contract(s) with a customer, (ii) identifying the performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations in the contract, and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. The new ASU will affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. ASU 2014-09 will be effective for the Company starting in the first quarter of fiscal 2017. ASU 2014-09 allows for two methods of adoption: (a) full retrospective adoption, meaning the standard is applied to all periods presented, or (b) modified retrospective adoption, meaning the cumulative effect of applying ASU 2014-09 is recognized as an adjustment to the fiscal 2017 opening retained earnings balance. The Company is in the process of determining the adoption method as well as the effects the adoption of ASU 2014-09 will have on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern*, which establishes that in connection with the preparation of financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that

the financial statements are issued. ASU 2014-15 requires management to consider qualitative and quantitative information about conditions and events known and reasonably knowable at the date the financial statements are issued. ASU 2014-15 will be effective for the Company for the annual period ending after December 15, 2016 and interim periods beginning after December 15, 2016. The adoption of ASU 2014-15 is not expected to have a material impact on the Company's consolidated financial statements.

2. Expense Classification:

Effective January 1, 2014, within the Consolidated Statements of Comprehensive Income (Loss), the Company changed its presentation of facilities and information technology-related expenses that are not directly associated with the delivery of its products and services. Formerly, the Company presented these expenses within sales, marketing and administration expense. The Company's new method for presenting facilities and information technology-related expenses includes allocating these items to all of its functional areas, which the Company considers a better presentation as it more accurately reflects the actual cost of these functions. The presentation of prior year amounts in the consolidated financial statements has been reclassified to conform to the current year presentation. There was no impact on total reported costs and expenses for any period as a result of the change.

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The impact of this change within the functional areas, including the impact of discontinued operations, is as follows for the three and nine months ended September 30, 2013 (in millions):

	Three Months Ended September 30, 2013				
	As reported	Impact of discontinued operations	As reported - adjusted for discontinued operations	As reclassified	Change
Cost of sales and direct operating (excluding depreciation)	\$ 423	\$ (191)	\$ 232	\$ 244	\$ 12
Sales, marketing and administration	232	(53)	179	157	(22)
Product development and maintenance	96	(3)	93	103	10
Total functional expenses	\$ 751	\$ (247)	\$ 504	\$ 504	\$

	Nine Months Ended September 30, 2013				
	As reported	Impact of discontinued operations	As reported - adjusted for discontinued operations	As reclassified	Change
Cost of sales and direct operating (excluding depreciation)	\$ 1,284	\$ (566)	\$ 718	\$ 757	\$ 39
Sales, marketing and administration	716	(173)	543	471	(72)
Product development and maintenance	285	(9)	276	309	33
Total functional expenses	\$ 2,285	\$ (748)	\$ 1,537	\$ 1,537	\$

3. Discontinued Operations:

On January 31, 2014, the Company completed the sale of two small businesses within the FS segment in exchange for 27 million paid at closing, 9 million to be paid no later than March 2016 (deferred purchase price) and 2 million to be paid upon the successful assignment of certain customer contracts. The deferred purchase price is unconditional and is secured by a bank guarantee. On March 31, 2014, the Company completed the AS Split-Off. These businesses have been included in our financial results as discontinued operations for all periods presented.

Please refer to Note 1 for additional information concerning discontinued operations.

The results for discontinued operations for the three and nine months ended September 30, 2013 and 2014 were as follows (in millions):

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
Revenue	\$ 351	\$	\$ 1,063	\$ 338
Operating income (loss)	16		48	(25)
Interest expense	(19)		(55)	(18)
Gain (loss) on sale of business			1	22
Income (loss) before income taxes	(3)		(6)	(21)
Benefit from (provision for) income taxes	4		5	4
Income (loss) from discontinued operations	\$ 1	\$	\$ (1)	\$ (17)

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Assets of discontinued operations and liabilities of discontinued operations consisted of the following at December 31, 2013 (in millions):

	December 31, 2013
Cash and cash equivalents	\$ 31
Trade receivables, net	227
Prepaid expenses and other current assets	70
Property and equipment, net	669
Software products, net	40
Customer base, net	734
Other	10
Goodwill	735
Assets of discontinued operations	\$ 2,516
Accounts payable	\$ 47
Accrued compensation and benefits	45
Other accrued expenses	78
Deferred revenue	260
Current portion of long-term debt	2
Long-term debt	5
Deferred income taxes	282
Other long-term liabilities	80
Liabilities of discontinued operations	\$ 799

4. Intangible Assets and Goodwill:**Trade Name**

The trade name intangible asset represents the value of the SunGard trade name and is an indefinite-lived asset not subject to amortization. The Company completes its annual trade name impairment test as of July 1 of each year and more frequently when negative conditions or triggering events arise.

Interim Impairment Test

The AS Split-Off triggered an interim impairment test of the carrying value of the SunGard trade name as of March 31, 2014 due to changes in how the trade name is being used following the AS Split-Off. The Company utilized an income approach known as the relief-from-royalty method to determine the fair value of the SunGard trade name. Under this method, a royalty rate was applied to SunGard's projected revenues to determine the annual cash savings attributable to ownership of the trade name. This amount was then tax-effected and discounted to present value to ultimately arrive at the estimated fair value of the trade name.

The Company developed certain assumptions and estimates related to the calculation of fair value of its trade name. The fair value assumptions and estimates primarily included projections of future revenues, a royalty rate, a tax rate, and a discount rate. The loss of projected AS revenues due to the AS Split-Off had a significant negative impact on the results of the trade name valuation. Based on the results of the impairment test, the fair value of the trade name was determined to be lower than its carrying value and resulted in a \$339 million impairment of the trade name as of March 31, 2014.

In addition to future revenue projections, the assumed royalty rate and discount rate are critical assumptions considered in the trade name impairment test. Excluding any changes to future revenue projections or other assumptions, a 50 basis point decrease in the assumed royalty rate would have resulted in an additional impairment of the trade name asset of approximately \$133 million (a 100 basis point decrease would have resulted in an additional impairment of approximately \$265 million). A 50 basis point increase in the discount rate would result in an additional impairment of the trade name asset of approximately \$14 million (a 100 basis point increase would have resulted in an additional impairment of approximately \$28 million). Furthermore, to the extent that projected revenues decline in the future, the revenue supporting the trade name will decline, which may result in impairment charges.

In connection with the AS Split-Off, SunGard and AS agreed to a two-year royalty-free period for AS limited use of a derivative of the trade name, after which it will pay a pre-determined royalty rate based on its annual revenue for a specified number of years. As of March 31, 2014, SunGard transferred an \$8 million right-to-use asset representing the value of AS limited right to use the SUNGARD AVAILABILITY SERVICES trade name during the royalty-free period.

Table of Contents*Annual Impairment Test*

As of July 1, 2014, the Company completed its annual impairment test and determined that the fair value of the trade name exceeded its carrying value, resulting in no further impairment of the trade name since the interim test performed as of March 31, 2014. From a sensitivity standpoint, a 50 basis point decrease in the assumed royalty rate would have resulted in an impairment of the trade name asset of approximately \$123 million. A 50 basis point increase in the discount rate would result in an impairment of the trade name asset of approximately \$24 million (100 basis point increase would result in an impairment of approximately \$59 million). Furthermore, to the extent that additional businesses are sold, split-off or otherwise divested in the future, or revenues related to continuing operations decline, the revenue supporting the trade name will decline, which may result in further impairment charges.

The following table summarizes changes in the value of the trade name for the nine months ended September 30, 2014 (in millions):

	Trade name, net
Balance at December 31, 2013	\$ 1,019
Transfer limited right to use trade name asset to AS	(8)
Trade name impairment	(339)
Balance at September 30, 2014	\$ 672

Goodwill*Annual Impairment Test*

The Company performs a goodwill impairment test annually and more frequently when negative conditions or triggering events arise. The Company completes its annual goodwill impairment test as of July 1 for each of its reporting units. The Company has the option of performing an assessment of certain qualitative factors to determine if it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying value (referred to as a "step zero" test) or proceeding directly to a quantitative analysis (referred to as a "step one" test).

Since each of the reporting units had a fair value in excess of 20% of its respective carrying value as of the most recent step-one test, which was either as of July 1, 2012 or July 1, 2013, and no events were noted that would significantly decrease the fair value of the reporting unit, the Company elected to apply the qualitative assessment under the step zero testing approach for all reporting units as of July 1, 2014. Based on the results of these tests, no step one tests were determined to be necessary.

When performing a qualitative test, the Company assesses numerous factors to determine whether it is more likely than not that the fair value of the reporting units are less than their respective carrying values. Examples of qualitative factors that management assesses include the Company's financial performance, market and competitive factors in the software and services industry, the amount of excess fair value over the carrying value of each reporting unit evident in prior years and other events specific to the Company's reporting units.

Management considered factors that would impact the reporting unit fair values as estimated by the market and income approaches used in the last step one test. Management reviewed current projections of cash flows and compared these current projections to the projections included in the most recent step one test, and considered the fact that no new significant competitors entered the marketplace in the industry and that consumer demand for the industry's products remains relatively constant, if not growing slightly. Also, economic factors over the past year (or two years in the case of units that were last tested quantitatively as of July 1, 2012) did not significantly affect the discount rates used for the valuation of these reporting units. Management concluded that events occurring since the last step one test did not have a significant impact on the fair value of each of these reporting units. Therefore, management determined that it was not necessary to perform a quantitative (step one) goodwill impairment test for these reporting units as the fair value of each reporting unit appeared to exceed its respective carrying value.

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The following table summarizes the changes in goodwill by segment for the nine months ended September 30, 2014 (in millions) and does not include any amounts related to the AS business, which is reflected as discontinued operations for all periods presented:

	FS	Cost PS&E	Subtotal	Accumulated impairment PS&E	Total
Balance at December 31, 2013	\$ 3,501	\$ 544	\$ 4,045	\$ (217)	\$ 3,828
Adjustments related to the LBO and prior year acquisitions	(1)	(1)	(2)		(2)
Effect of foreign currency translation	(42)		(42)		(42)
Balance at September 30, 2014	\$ 3,458	\$ 543	\$ 4,001	\$ (217)	\$ 3,784

A portion of the Company's goodwill is denominated in currencies other than the U.S. Dollar.

Intangible Asset amortization

The total expected amortization of acquisition-related intangible assets for years ended December 31 is as follows (in millions):

2014	\$ 134
2015	82
2016	66
2017	58
2018	54

5. Accumulated Other Comprehensive Income:

The following table provides a rollforward of the components of accumulated other comprehensive loss, net of tax, for the nine months ended September 30, 2014 (in millions):

	Gains and Losses on Cash Flow Hedges	Currency Translation	Other	Accumulated Other Comprehensive Income
Balance at December 31, 2013	\$ 4	\$ 15	\$ (3)	\$ 16
Other comprehensive income (loss) before reclassifications	(6)	(35)		(41)
AS Split-Off from SunGard		(75)		(75)
Amounts reclassified from accumulated other comprehensive income, net of tax	6			6

Net current-period other comprehensive income (loss)			(110)		(110)
Balance at September 30, 2014	\$	4	\$ (95)	\$ (3)	\$ (94)

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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 and nine months ended September 30, 2013 and 2014 (in millions):

	Three months ended		Nine months ended		Affected Line Item in the Statement of Comprehensive Income (Loss) for Components Reclassified from OCI
	September 30, 2013	September 30, 2014	September 30, 2013	September 30, 2014	
Other Comprehensive Income Components	2013	2014	2013	2014	
Unrealized gain (loss) on derivative instruments and other	\$ (3)	\$	\$ (3)	\$ (6)	
Loss (gain) on derivatives reclassified into income:					
Interest rate contracts					Interest expense and amortization of deferred financing fees
	1	3	5	6	
Forward currency hedges					Cost of sales and direct operating
	2				
Total reclassified into income	3	3	5	6	
Income tax benefit (expense)	(1)	(1)	(2)		
Amounts reclassified from accumulated other comprehensive income net of tax	2	2	3	6	
Unrealized gain (loss) on derivative instruments, net of tax	\$ (1)	\$ 2	\$	\$	

6. Debt and Derivatives:

On January 15, 2014, SunGard paid \$250 million to retire the Senior Secured Notes due 2014. On January 31, 2014, SunGard removed AS as a participant in its secured accounts receivable facility and repaid \$60 million of the term loan.

On February 7, 2014, SunGard amended and restated its senior secured credit agreement (Credit Agreement) (as amended and restated, the Seventh Amendment). Most notably, the Seventh Amendment:

amended certain covenants and other provisions of the Credit Agreement in order to permit the AS Split-Off, including (i) the ability to effect the AS Split-Off without requiring an initial public offering, (ii) permitting AS to incur up to \$1.5 billion of indebtedness in connection with the AS Split-Off, and (iii) allowing

SunGard's total secured leverage ratio (less cash and cash equivalents in excess of \$50 million), after giving pro forma effect to the AS Split-Off, to increase no more than 0.60x of Adjusted EBITDA at the time of the AS Split-Off; and

modified certain covenants and other provisions in order to, among other things (i) modify the financial maintenance covenant included therein, and (ii) permit the Company and its affiliates to repurchase term loans.

On February 28, 2014, SunGard repaid at maturity the remaining \$7 million Tranche A term loan under the Senior Secured Credit Facilities.

On March 31, 2014, SunGard used the \$1,005 million net cash proceeds from the issuance of the SpinCo Term Loan to repay approximately \$27 million of its tranche C term loan, \$713 million of its tranche D term loan and \$265 million of its tranche E term loan. SunGard also exchanged the SpinCo senior notes with an aggregate principal amount of approximately \$425 million for an aggregate principal amount of approximately \$389 million of existing SunGard 7 3/8% senior notes due 2018 (SunGard Notes) which were then retired. The retirement of the SunGard Notes resulted in a \$36 million loss on extinguishment of debt during the three months ended March 31, 2014. In addition, SunGard wrote-off approximately \$25 million of capitalized deferred financing fees resulting from the repayment or retirement of debt during the three months ended March 31, 2014.

On May 14, 2014 SunGard amended and restated its secured accounts receivables facility in order to, among other things, (i) extend the maturity date of the receivables facility from December 19, 2017 to May 14, 2019; and (ii) reduce the applicable margin on the advances under the facility from 3.50% for LIBOR advances and 2.50% for base rate advances to 3.00% and 2.00%, respectively.

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On September 30, 2014, the Company had \$591 million of available borrowing capacity and \$9 million of outstanding letters of credit under its \$600 million revolving credit facility.

SunGard's ability to make dividend payments to its equity holders is governed by the covenants in its debt documents. Without obtaining an amendment to those documents, SunGard's covenants currently limit such a dividend to a total of \$200 million.

Debt consisted of the following for continuing operations (in millions):

	December 31, 2013	September 30, 2014
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% and 4.44%	427	400
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% and 4.31%	2,183	1,918
Total Senior Secured Credit Facilities	3,330	2,318
Senior Secured Notes due 2014 at 4.875%	250	
Senior Notes due 2018 at 7.375%	900	511
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 3.67% and 3.15%	200	140
Other, primarily foreign bank debt and capital lease obligations	4	2
Total debt	\$ 6,384	\$ 4,671
Short-term borrowings and current portion of long-term debt		
Short-term borrowings and current portion of long-term debt	\$ 290	\$ 2
Long-term debt	6,094	4,669
Total debt	\$ 6,384	\$ 4,671

Future Maturities

At September 30, 2014, the contractual future maturities of debt are as follows (in millions):

	Contractual Maturities
2014	\$
2015	2
2016	
2017	400
2018	511
Thereafter	3,758
Total debt	\$ 4,671

SunGard uses interest rate swaps 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 September 30, 2014, one-month and three-month LIBOR were 0.16% and 0.24%, respectively. The net receipt or payment from the interest rate swap agreements is included in the Consolidated Statements of Comprehensive Income (Loss) as interest expense. The interest rates in the components of the debt table above reflect the impact of the swaps.

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A summary of the Company's interest rate swaps at September 30, 2014 follows (in millions):

Inception	Maturity	Notional Amount (in millions)	Weighted- Average Interest rate paid	Interest rate received (LIBOR)
August-September 2012	February 2017	\$ 400	0.69%	1-Month
June 2013	June 2019	100	1.86%	3-Month
September 2013	June 2019	100	2.26%	3-Month
February 2014	March 2020	300	2.27%	3-Month
Total		\$ 900	1.52%	

The fair values of interest rate swaps designated as cash flow hedging instruments included in other assets are \$4 million and \$3 million at December 31, 2013 and September 30, 2014, respectively.

The Company has no ineffectiveness related to its swap agreements. The Company expects to reclassify in the next twelve months approximately \$8 million from other comprehensive income (loss) into earnings related to the Company's interest rate swaps based on the borrowing rates at September 30, 2014.

7. Fair Value Measurements:

The following table summarizes assets and liabilities measured at fair value on a recurring basis at September 30, 2014 (in millions):

	Balance Sheet Caption	Fair Value Measures Using			Total
		Level 1	Level 2	Level 3	
Assets					
Money market funds	Cash and cash equivalents	\$ 124	\$	\$	\$ 124
Interest rate swap agreements	Other assets		3		3
Currency forward contracts	Prepaid expenses and other current assets		3		3
Total		\$ 124	\$ 6	\$	\$ 130
Liabilities					
Interest rate swap agreements	Accrued Expenses	\$	\$ 1	\$	\$ 1

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

Fair Value Measures Using

	Balance Sheet Caption	Level 1	Level 2	Level 3	Total
Assets					
Money market funds	Cash and cash equivalents	\$ 407	\$	\$	\$ 407
Interest rate swap agreements	Other assets		4		4
Currency forward contracts	Prepaid expenses and other current assets		2		2
Total		\$ 407	\$ 6	\$	\$ 413

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).

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.

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The Company uses currency forward contracts to manage its exposure to fluctuations in costs caused by variations in Indian Rupee (INR) exchange rates. These INR 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 reliable, independent, third party banks, at the balance sheet date. The 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 in connection with INR cash flow hedges. The Company expects to reclassify in the next twelve months approximately \$3 million from other comprehensive income (loss) into earnings related to the Company's INR forward contracts.

Certain assets and liabilities are measured on a non-recurring basis. During the first quarter of 2014, the trade name (a level 3 non-recurring fair value measure) was written down to a fair value of \$672 million due to the recognition of a \$339 million impairment charge, which was the result of the AS Split-Off (see Note 4).

The fair value of the trade name is categorized as Level 3, a fair value measurement using significant unobservable inputs, and is estimated by discounted cash flows based on projected future revenues. This requires the use of various assumptions including projections of future cash flows, perpetual growth rates and discount rates.

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, 2013 and September 30, 2014 (in millions):

	December 31, 2013		September 30, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Floating rate debt	\$ 3,530	\$ 3,548	\$ 2,458	\$ 2,433
Fixed rate debt	2,862	3,024	2,213	2,242

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. Derivative financial instruments are recorded 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:

On March 31, 2014, SunGard completed the AS Split-Off. The following rollforwards of stockholders' equity for SCC, SCCII, and SunGard and non-controlling interest for SCC are provided to illustrate the impact of the AS Split-Off on stockholders' equity and non-controlling interest for the nine months ended September 30, 2014.

On March 31, 2014, SCCII exchanged all of the common stock of SpinCo for 2,358,065 shares of its preferred stock held by its stockholders, which was recorded as treasury stock at the book value of the investment SCCII had in SpinCo.

Stock-based Compensation

As a result of the AS Split-Off, the proportion of preferred stock of SCCII included in each Unit of equity in the Parent Companies changed from 0.05 shares to 0.038 shares, while there was no change in the proportion of the

Class A or Class L common stock of SCC. Accordingly, post-split, a Unit consists of 1.3 shares of Class A common stock and 0.1444 shares of Class L common stock of SCC and 0.038 shares of preferred stock of SCCII.

In conjunction with the AS Split-Off, SCC and SCCII amended all outstanding share-based awards to comply with the existing anti-dilution provisions in the SunGard 2005 Management Incentive Plan as amended (the Plan), and respective share-based award agreements. The anti-dilution provisions require modification of the share-based awards in certain circumstances in order to prevent enlargement or dilution of benefits intended to be made available under the Plan.

To comply with the requirement of the Plan, all outstanding options and other long-term incentive equity awards were modified to (i) maintain the ratio of the exercise or base price to the fair market value of the stock prior to the modification and (ii) increase the quantity granted to maintain the intrinsic value of the awards based on the new Unit price and the new SpinCo share price, as applicable. In addition, all outstanding share-based awards were modified such that employees remaining with SunGard would hold awards in SunGard only and employees of AS would hold awards in SpinCo only. In order to achieve this result, all outstanding awards held by employees of AS were converted post-split into SpinCo Awards. There was no incremental stock-based compensation expense as a result of these modifications.

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In June 2014, in addition to granting restricted stock units (RSUs) subject to time-based vesting, the Company granted to certain employees RSUs with market-based vesting dependent upon the performance of the Company's Unit price in relation to pre-determined Unit price thresholds (Market-based). Each threshold signifies a level of vesting with interpolation between levels. Vesting is subject to continued employment through June 1, 2017, the measurement date. The Company determined the fair value of the Market-based RSUs using a Monte Carlo valuation model and will record the aggregate expense of \$26 million over the three-year service period on a straight-line basis regardless of vesting, subject to continued employment, as required by GAAP.

A rollforward of SCC's stockholders' equity for the nine months ended September 30, 2014 is as follows (in millions):

	SunGard Capital Corp. stockholders						
	Class		Capital in excess of par value	Treasury stock	Permanent equity		Total Permanent equity
L - temporary equity	A - temporary equity	Accumulated deficit			Accumulated comprehensive income (loss)		
Balances at December 31, 2013	\$ 58	\$ 4	\$ 2,482	\$ (47)	\$ (3,497)	\$ 16	\$ (1,046)
Net income (loss)					(458)		(458)
Foreign currency translation						(35)	(35)
Stock compensation expense			35				35
Issuance of common and preferred stock			(12)	13			1
Purchase of treasury stock			(1)	(5)			(6)
Impact of exchange of SpinCo common stock for SCCII preferred stock			171		(9)	(75)	87
Impact of modification of SunGard Awards	3						
Impact of modification of SpinCo Awards	(8)		13				13
Transfer intrinsic value of vested restricted stock units to temporary equity	13		(21)				(21)
Cancellation of put options due to employee terminations	(13)	(1)	16				16
Other			(9)				(9)
Balances at September 30, 2014	\$ 53	\$ 3	\$ 2,674	\$ (39)	\$ (3,964)	\$ (94)	\$ (1,423)

A rollforward of SCC's noncontrolling interest for the nine months ended September 30, 2014 is as follows (in millions):

Noncontrolling interest

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	Temporary equity	Permanent equity	Total
Balances at December 31, 2013	\$ 42	\$ 1,741	\$ 1,783
Net income (loss)		132	132
Purchase of treasury stock		(3)	(3)
Impact of exchange of SpinCo common stock for SCCII preferred stock	(1)	(428)	(429)
Impact of modification of SunGard Awards	(4)		(4)
Impact of modification of SpinCo Awards	(6)		(6)
Transfer intrinsic value of vested restricted stock units to temporary equity	8		8
Cancellation of put options due to employee terminations	(7)	5	(2)
Balances at September 30, 2014	\$ 32	\$ 1,447	\$ 1,479

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A rollforward of SCCII's stockholders' equity for the nine months ended September 30, 2014 is as follows (in millions):

	Temporary equity	Capital in excess of par value	Treasury stock	Permanent equity Accumulated deficit	Accumulated other comprehensive income (loss)	Total permanent equity
Balances at December 31, 2013	\$ 37	\$ 3,501	\$ (29)	\$ (2,708)	\$ 16	\$ 780
Net income (loss)				(326)		(326)
Foreign currency translation					(35)	(35)
Stock compensation expense		35				35
Issuance of preferred stock		(7)	7			
Purchase of treasury stock			(4)			(4)
Impact of exchange of SpinCo common stock for SCCII preferred stock		(4)	(258)	(9)	(75)	(346)
Impact of modification of SunGard Awards	(4)	4				4
Impact of modification of SpinCo Awards	(6)	6				6
Transfer intrinsic value of vested restricted stock units to temporary equity	8	(8)				(8)
Cancellation of put options due to employee terminations	(7)	7				7
Other		(17)				(17)
Balances at September 30, 2014	\$ 28	\$ 3,517	\$ (284)	\$ (3,043)	\$ (94)	\$ 96

A rollforward of SunGard's stockholders' equity for the nine months ended September 30, 2014 is as follows (in millions):

	Capital in excess of par value	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balances at December 31, 2013	\$ 3,513	\$ (2,708)	\$ 16	\$ 821
Net income (loss)		(326)		(326)
Foreign currency translation			(35)	(35)
Stock compensation expense	35			35
Distribute AS to parent	(159)	(112)	(75)	(346)
Other	(16)			(16)

Balances at September 30, 2014	\$ 3,373	\$ (3,146)	\$ (94)	\$ 133
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A rollforward of SCC's equity for the nine months ended September 30, 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
Balances at December 31, 2012	\$ 45	\$ 5	\$ (961)	\$ (911)	\$ 26	\$ 1,575	\$ 1,601
Net income (loss)			(130)	(130)	2	119	121
Foreign currency translation			10	10			
Stock compensation expense			35	35			
Purchase of treasury stock			(4)	(4)		(3)	(3)
Transfer intrinsic value of vested restricted stock units to temporary equity	15		(25)	(10)	10		10
Cancellation of put options due to employee terminations	(8)	(1)	11	2	(4)	2	(2)
Other			(14)	(14)			