

SUNGARD DATA SYSTEMS INC

Form 424B3

November 02, 2006

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FILED PURSUANT TO RULE 424(B)(3)

File Number 333-135538

SUNGARD DATA SYSTEMS INC.

SUPPLEMENT NO. 3 TO

MARKET-MAKING PROSPECTUS DATED

AUGUST 9, 2006

THE DATE OF THIS SUPPLEMENT IS NOVEMBER 2, 2006

ON NOVEMBER 2, 2006, SUNGARD DATA SYSTEMS INC. FILED THE ATTACHED

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

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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, 2006

OR

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 1-12989

SunGard[®] Data Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

680 East Swedesford Road, Wayne, Pennsylvania 19087

(Address of principal executive offices, including zip code)

484-582-2000

(Registrant's telephone number, including area code)

51-0267091
(IRS Employer

Identification No.)

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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. Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 100 shares of the registrant's common stock outstanding as of September 30, 2006.

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SUNGARD DATA SYSTEMS INC.

AND SUBSIDIARIES

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SunGard Data Systems Inc.****Consolidated Balance Sheets****(In millions except share and per-share amounts)**

	December 31, 2005	Successor September 30, 2006 (unaudited)
Assets		
Current:		
Cash and cash equivalents	\$ 317	\$ 268
Trade receivables, less allowance for doubtful accounts of \$9 and \$11	190	161
Earned but unbilled receivables	38	51
Prepaid expenses and other current assets	166	140
Clearing broker assets	391	457
Retained interest in accounts receivable sold	224	256
Deferred income taxes	40	47
Total current assets	1,366	1,380
Property and equipment, less accumulated depreciation of \$72 and \$241	705	738
Software products, less accumulated amortization of \$83 and \$245	1,528	1,379
Customer base, less accumulated amortization of \$68 and \$215	2,817	2,855
Other tangible and intangible assets, less accumulated amortization of \$3 and \$10	248	228
Trade name	1,019	1,019
Goodwill	6,904	6,946
Total Assets	\$ 14,587	\$ 14,545
Liabilities and Stockholder's Equity		
Current:		
Short-term and current portion of long-term debt	\$ 46	\$ 44
Accounts payable	67	60
Accrued compensation and benefits	218	173
Accrued interest expense	161	86
Other accrued expenses	282	289
Clearing broker liabilities	360	415
Deferred revenue	695	720
Total current liabilities	1,829	1,787
Long-term debt	7,383	7,384
Deferred income taxes	1,803	1,832
Total liabilities	11,015	11,003
Commitments and contingencies		
Stockholder's equity:		

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Common stock, par value \$.01 per share; 100 shares authorized, issued and outstanding		
Capital in excess of par value	3,629	3,654
Accumulated deficit	(29)	(136)
Accumulated other comprehensive income (loss)	(28)	24
Total stockholder s equity	3,572	3,542
Total Liabilities and Stockholder s Equity	\$ 14,587	\$ 14,545

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

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

	Predecessor	Successor	
	Period from January 1, 2005 through August 10, 2005	Period from August 11, 2005 through September 30, 2005	Nine Months Ended September 30, 2006
Revenue:			
Services	\$ 2,126	\$ 491	\$ 2,842
License and resale fees	179	42	214
Total products and services	2,305	533	3,056
Reimbursed expenses	66	15	79
	2,371	548	3,135
Costs and expenses:			
Cost of sales and direct operating	1,119	247	1,460
Sales, marketing and administration	456	117	659
Product development	154	36	191
Depreciation and amortization	141	33	175
Amortization of acquisition-related intangible assets	84	51	297
Merger costs and other	121	18	5
	2,075	502	2,787
Income from operations	296	46	348
Interest income	9	2	10
Interest expense and amortization of deferred financing fees	(17)	(88)	(483)
Other expense		(3)	(22)
Income (loss) before income taxes	288	(43)	(147)
Provision (benefit) for income taxes	142	(20)	(40)
Net income (loss)	\$ 146	\$ (23)	\$ (107)

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

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

	Predecessor Period from July 1, 2005 through August 10, 2005	Successor Period from August 11, 2005 through September 30, 2005	Successor Three Months Ended September 30, 2006
Revenue:			
Services	\$ 389	\$ 491	\$ 963
License and resale fees	17	42	81
Total products and services	406	533	1,044
Reimbursed expenses	11	15	24
	417	548	1,068
Costs and expenses:			
Cost of sales and direct operating	205	247	493
Sales, marketing and administration	76	117	215
Product development	29	36	63
Depreciation and amortization	26	33	60
Amortization of acquisition-related intangible assets	15	51	99
Merger costs and other	103	18	2
	454	502	932
Income (loss) from operations	(37)	46	136
Interest income	3	2	4
Interest expense and amortization of deferred financing fees	(3)	(88)	(165)
Other expense		(3)	(4)
Loss before income taxes	(37)	(43)	(29)
Provision (benefit) for income taxes	5	(20)	2
Net loss	\$ (42)	\$ (23)	\$ (31)

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

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

	Predecessor	Successor	
	Period from January 1, 2005 through August 10, 2005	Period from August 11, 2005 through September 30, 2005	Nine Months Ended September 30, 2006
<i>Cash flow from operations:</i>			
Net income (loss)	\$ 146	\$ (23)	\$ (107)
Reconciliation of net income (loss) to cash flow from operations:			
Depreciation and amortization	225	84	472
Deferred income tax benefit	(14)	(24)	(98)
Stock compensation expense	59	8	27
Amortization of deferred financing costs and debt discount		6	25
Other noncash credits	(17)	(4)	(36)
Accounts receivable and other current assets	79	105	43
Accounts payable and accrued expenses	106	58	(124)
Clearing broker assets and liabilities, net	(3)	15	(12)
Deferred revenue	(10)	32	24
Cash flow from operations	571	257	214
<i>Investment activities:</i>			
Cash paid for businesses acquired by the Company, net of cash acquired	(419)	(15)	(24)
Acquisition of SunGard by Solar Capital		(11,615)	
Cash paid for property and equipment and software	(152)	(54)	(222)
Other investing activities	2	(1)	8
Cash used in investment activities	(569)	(11,685)	(238)
<i>Financing activities:</i>			
Cash received from borrowings for the Transaction		7,333	
Cash received from other borrowings, net of fees	75	13	
Cash used to repay debt	(132)	(71)	(37)
Investment by Parent Companies		3,450	
Cash received from stock option and award plans	386		
Other financing activities			(3)
Cash provided by (used in) financing activities	329	10,725	(40)
Effect of exchange rate changes on cash			15
Decrease in cash and cash equivalents	331	(703)	(49)
Beginning cash and cash equivalents	675	1,006	317
Ending cash and cash equivalents	\$ 1,006	\$ 303	\$ 268

Supplemental information:

Acquired businesses:				
Property and equipment	\$	66	\$	\$
Software products		57	6	6
Customer base		160		5
Goodwill		213	7	16
Other tangible and intangible assets		2	1	2
Deferred income taxes		(53)	1	(1)
Purchase price obligations and debt assumed		(21)	(3)	(2)
Net current (liabilities) assets assumed		(5)	3	(2)
Cash paid for acquired businesses, net of cash acquired of \$31, \$0 and \$2, respectively	\$	419	\$	15
			\$	24

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

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SUNGARD DATA SYSTEMS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation:

SunGard Data Systems Inc. (SunGard or the Company) was acquired on August 11, 2005 (the Transaction) by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake Partners and Texas Pacific Group (collectively, the Sponsors). The Transaction was accomplished through the merger of Solar Capital Corp. into SunGard with SunGard being the surviving company.

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II, which is a subsidiary of SunGard Capital Corp. All four of these companies were formed for the purpose of facilitating the Transaction and are collectively referred to as the Holding Companies.

Although SunGard continued as the same legal entity after the Transaction, the accompanying consolidated statements of operations and cash flows are presented for two periods: Predecessor and Successor, which relate to the period preceding the Transaction and the period succeeding the Transaction, respectively. The Company refers to the operations of SunGard and subsidiaries for both the Predecessor and Successor periods.

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

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 Successor s Annual Report on Form 10-K for the year ended December 31, 2005. Interim financial reporting does not include all of the information and footnotes required by GAAP for complete financial statements. The interim financial information is unaudited, but reflects all normal adjustments which are, in the opinion of management, 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, 2006.

Effect of Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on other topics related to accounting for income tax assets and liabilities, interest and penalties associated with tax positions and income taxes in interim periods as well as income tax disclosures. This Interpretation is effective as of January 1, 2007. The Company is currently evaluating FIN 48 and the related impact on the Company s consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under GAAP. SFAS 157 is effective as of January 1, 2008. The Company is currently evaluating SFAS 157 and the related impact on the Company s consolidated financial statements.

Table of Contents**2. Acquisitions and Dispositions:****Acquisition of SunGard**

As discussed in Note 1, the Transaction was completed on August 11, 2005 and was financed by a combination of borrowings under the Company's senior secured credit facilities, the issuance of senior notes due 2013 and senior subordinated notes due 2015, the funding under the Company's receivables facilities, and the equity investment of the Sponsors, co-investors and management.

The purchase price, including transaction costs that have been allocated as debt issuance costs or included in the overall purchase price, was approximately \$11.73 billion. Under business combination accounting, the total purchase price was allocated to the Company's net tangible and identifiable intangible assets based on their estimated fair values as of August 11, 2005. The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill. The allocation of the purchase price for property and equipment, intangible assets and deferred income taxes was based upon valuation data and our estimates and assumptions.

The estimated amortization expense for each of the years 2006 to 2010 has been updated primarily to reflect changes in the purchase price allocation for the Transaction. Based on amounts recorded at September 30, 2006, total estimated amortization of all acquisition-related intangible assets for the year ended December 31, 2006 and for each of the years ended December 31, 2007 to 2010 follows (in millions):

2006	\$ 392
2007	384
2008	379
2009	375
2010	368

Acquisitions by the Company

The Company seeks to acquire businesses that broaden its existing product lines and service offerings by adding complementary products and service offerings and by expanding its geographic reach. During the nine months ended September 30, 2006, the Company completed three acquisitions in its FS segment. Cash paid, net of cash acquired and subject to certain adjustments, was \$24 million.

The following table lists the businesses the Company acquired since January 1, 2006:

	Date	Description
Acquired Company/Business	Acquired	Description
Dataware Solutions, Inc.	3/14/2006	Employee compliance solutions for financial institutions.
Armonys	4/28/2006	Consulting and IT professional services to financial institutions in France.
ProNvest Inc.	9/18/2006	Managed investment account services to 401(k) participants and electronic signature and authentication software.
System Access Limited	10/2/2006	Universal banking solutions for retail and wholesale banking based in Singapore.

During October 2006, the Company completed 4 acquisitions in its FS segment for aggregate cash paid of approximately \$96 million, of which approximately \$75 million was spent on the acquisition of System Access Ltd.

Dispositions by the Company

During the nine months ended September 30, 2006, the Company sold one of its FS segment businesses for cash proceeds of approximately \$9 million.

Table of Contents**Goodwill**

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

	FS	HEPS	AS	Total
Balance at December 31, 2005	\$ 3,104	\$ 1,794	\$ 2,006	\$ 6,904
2006 acquisitions	16			16
2006 dispositions	(7)			(7)
Adjustments related to the Transaction	(255)	100	141	(14)
Effect of foreign currency translation	11	7	29	47
Balance at September 30, 2006	\$ 2,869	\$ 1,901	\$ 2,176	\$ 6,946

3. Stock-Based Compensation:*Successor*

Statement of Financial Accounting Standards (SFAS) Number 123R (revised 2004), Share-Based Payment (SFAS 123R), supersedes Accounting Principles Board Opinion Number 25 (APB 25) and requires companies to expense the fair value of employee stock options over the employee requisite service period. The Company adopted SFAS 123R as of the date of closing the Transaction using the modified prospective method, which requires companies to record stock compensation expense for all unvested and new awards as of the adoption date. Accordingly, prior period amounts presented herein have not been restated. Under the fair value recognition provisions of SFAS 123R, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the requisite service period. The Company recorded as a component of sales, marketing and administration expense non-cash stock compensation of \$11 million, \$27 million and \$8 million for the three- and nine-month periods ended September 30, 2006 and for the period from August 11, 2005 through September 30, 2005, respectively.

Predecessor

Prior to the closing of the Transaction, the Company applied APB 25 in accounting for its stock option and award plans and the pro forma disclosure requirements of SFAS Number 123, Accounting for Stock-Based Compensation (SFAS 123). Accordingly, the Company recorded in merger costs a non-cash charge for stock compensation of approximately \$60 million for the period from January 1, 2005 through August 10, 2005 as a result of the acceleration of vesting of all options and restricted stock in connection with the Transaction (see Note 1). Had the Company adopted the full provisions of SFAS 123, additional stock compensation expense of \$102 million and \$135 million, each net of tax, would have been recorded during the periods from July 1, 2005 through August 10, 2005 and January 1, 2005 through August 10, 2005, respectively, and the resulting pro forma net (loss) income would have been \$(145) million and \$11 million.

Table of Contents**4. Clearing Broker Assets and Liabilities:**

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

	December 31, 2005	Successor September 30, 2006
Segregated customer cash and treasury bills	\$ 42	\$ 41
Securities owned	36	53
Securities borrowed	261	326
Receivables from customers and other	52	37
Clearing broker assets	\$ 391	\$ 457
Payables to customers	\$ 60	\$ 63
Securities loaned	272	302
Customer securities sold short, not yet purchased	16	28
Payable to brokers and dealers	12	22
Clearing broker liabilities	\$ 360	\$ 415

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

5. Debt and Derivative Instruments:

Effective January 1, 2006, the Company adopted the provisions of two technical interpretations issued by the FASB Derivatives Implementation Group (DIG) in June 2005 (commonly known as DIG Issues B38 and B39). These interpretations outline circumstances in which a put or call option embedded in debt instruments need to be separated from the debt instrument and separately valued. As of September 30, 2006, the fair value of the put option in the Company's senior notes due 2013 and senior subordinated notes due 2015 was determined to be immaterial.

In February 2006, the Company entered into its second interest rate swap for a notional amount of \$800 million. The term of the swap agreement is five years and the Company is required to pay a stream of fixed interest payments of 5.0% and, in turn, receives variable interest payments based on LIBOR (5.5% at September 30, 2006). This swap increased the hedged portion of the Company's \$4.5 billion floating rate debt to \$1.6 billion. Both interest rate swaps are designated and qualify as cash flow hedges under SFAS 133, Accounting for Derivative Instruments and Hedging Activities. As of September 30, 2006, the Company recorded a cumulative unrealized gain of \$1 million in Other Comprehensive Income related to the change in the market value on the swaps, which may be recognized in the statement of operations if certain terms of the senior secured credit facility change, if the loan is extinguished or if the swap agreements are terminated prior to maturity.

Table of Contents**6. Comprehensive Income (Loss):**

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

	Predecessor	Period from August 11, 2005 through September 30, 2005	Successor Nine Months Ended September 30, 2006
	Period from January 1, 2005 through August 10, 2005		
Net income (loss)	\$ 146	\$ (23)	\$ (107)
Foreign currency translation gains (losses)	(69)	(12)	50
Unrealized gain on derivative instruments			2
Comprehensive income (loss)	\$ 77	\$ (35)	\$ (55)

	Predecessor	Period from August 11, 2005 through September 30, 2005	Successor Three Months Ended September 30, 2006
	Period from July 1, 2005 through August 10, 2005		
Net loss	\$ (42)	\$ (23)	\$ (31)
Foreign currency translation gains (losses)	5	(12)	2
Unrealized loss on derivative instruments			(16)
Comprehensive loss	\$ (37)	\$ (35)	\$ (45)

Table of Contents**7. Segment Information:**

The Company has three segments: FS and HEPS, which together form the Company's Software & Processing Solutions business, and AS. The operating results for each segment follow (in millions):

	Predecessor			Successor	
	Period from January 1, 2005 through August 10, 2005	Period from July 1, 2005 through August 10, 2005	Period from August 11, 2005 through September 30, 2005	Nine Months Ended September 30, 2006	Three Months Ended September 30, 2006
Revenue:					
Financial systems	\$ 1,120	\$ 193	\$ 256	\$ 1,484	\$ 507
Higher education and public sector systems	471	83	110	644	221
Software & processing solutions	1,591	276	366	2,128	728
Availability services	780	141	182	1,007	340
	\$ 2,371	\$ 417	\$ 548	\$ 3,135	\$ 1,068
Income (loss) from operations:					
Financial systems	\$ 183	\$ 24	\$ 24	\$ 143	\$ 61
Higher education and public sector systems	76	10	15	92	35
Software & processing solutions	259	34			