

HTE-UCS, Inc.  
Form 424B3  
March 09, 2007  
**Table of Contents**

**FILED PURSUANT TO RULE 424(B)(3)**

**File Number 333-135538**

**SUNGARD DATA SYSTEMS INC.**

**SUPPLEMENT NO. 6 TO**

**MARKET-MAKING PROSPECTUS DATED**

**AUGUST 9, 2006**

**THE DATE OF THIS SUPPLEMENT IS MARCH 9, 2007**

**ON MARCH 9, 2007, SUNGARD DATA SYSTEMS INC. FILED THE ATTACHED**

**FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2006**

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Table of Contents

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

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**FORM 10-K**

(Mark One)

- x** Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 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<sup>®</sup> Data Systems Inc.**

(Exact name of registrant as specified in its charter)

**Delaware** **51-0267091**  
(State of incorporation) (I.R.S. Employer Identification No.)  
**680 East Swedesford Road, Wayne, Pennsylvania 19087**

(Address of principal executive offices, including zip code)

**484-582-2000**

(Telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

**None**

Securities registered pursuant to Section 12(g) of the Act:

**None**

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## Edgar Filing: HTE-UCS, Inc. - Form 424B3

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes . No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes . No .

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K. .

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 .

The aggregate market value of the registrant's voting stock held by nonaffiliates is zero. The registrant is a privately held corporation.

There were 100 shares of the registrant's Common Stock outstanding as of March 1, 2007.

### **DOCUMENTS INCORPORATED BY REFERENCE**

None.

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**Table of Contents****Table of Contents**

	<b>Page</b>
<u>Forward-Looking Statements</u>	1
<b><u>PART I</u></b>	
Item 1. <u>Business</u>	1
<u>Overview</u>	1
<u>Our Strengths</u>	2
<u>Business Strategy</u>	3
<u>Business Segment Overview</u>	5
<u>Financial Systems</u>	5
<u>Higher Education and Public Sector Systems</u>	9
<u>Availability Services</u>	10
<u>Acquisitions</u>	11
<u>Product Development</u>	12
<u>Marketing</u>	12
<u>Competition</u>	13
<u>Employees</u>	14
<u>Proprietary Protection</u>	14
Item 1A. <u>Risk Factors</u>	14
Item 1B. <u>Unresolved Staff Comments</u>	24
Item 2. <u>Properties</u>	24
Item 3. <u>Legal Proceedings</u>	24
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	24
<b><u>PART II</u></b>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	25
Item 6. <u>Selected Financial Data</u>	25
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	45
Item 8. <u>Financial Statements and Supplementary Data</u>	47
Item 9. <u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>	87
Item 9A. <u>Controls and Procedures</u>	87
Item 9B. <u>Other Information</u>	87
<b><u>PART III</u></b>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	88
Item 11. <u>Executive Compensation</u>	92
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	111
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	117
Item 14. <u>Principal Accountant Fees and Services</u>	118
<b><u>PART IV</u></b>	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	120
<u>Signatures</u>	121
<u>List of Exhibits</u>	122

---

**Table of Contents**

**Forward-Looking Statements**

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as believes, expects, may, will, should, seeks, approximately, intends, plans, anticipates or similar expressions which concern our strategy, plans or intentions. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We described some of the factors that we believe could affect our results in ITEM 1A RISK FACTORS. We assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

**PART I**

**ITEM 1. BUSINESS**

**Overview**

We are one of the world's leading software and IT services companies. We provide software and processing solutions to institutions throughout the financial services industry, higher education, and the public sector; and we help enterprises of all types to maintain the continuity of their business through information availability services. We operate our business in three segments: Financial Systems ( FS ), Higher Education and Public Sector Systems ( HEPS ) and Availability Services ( AS ). Our FS segment primarily serves financial services companies, corporate and government treasury departments and energy companies. Our HEPS segment primarily serves higher education institutions, state and local governments and not-for-profit organizations. Our AS segment serves information-dependent companies across virtually all industries.

Our company supports more than 25,000 customers in over 50 countries, including the world's 50 largest financial services companies. We seek to establish long-term customer relationships by negotiating multi-year contracts and by emphasizing customer support and product quality and integration. We believe that we are one of the most efficient operators of mission-critical information technology, or IT, solutions as a result of the economies of scale we derive from serving multiple customers on shared platforms. Our revenue is highly diversified by customer and product, with no single customer accounting for more than 3% of our total revenue during any of the past three fiscal years. We estimate that approximately 89% of our revenue for the past three fiscal years was recurring in nature.

We were acquired on August 11, 2005 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 Texas Pacific Group (the Transaction ). The Transaction was accomplished through the merger of Solar Capital Corp. into SunGard Data Systems Inc., with SunGard Data Systems Inc. being the surviving company.

All references in this report to SunGard, the Company, we, our, and us mean, unless the context indicates otherwise, SunGard Data Systems and its subsidiaries on a consolidated basis.

## **Table of Contents**

### **Our Strengths**

***Leading franchise in attractive industries.*** Built over many years, our business has leading positions and strong customer relationships in industries with attractive growth dynamics.

***Leading industry positions.*** We believe that the majority of businesses within our FS segment are leaders in the sectors in which they participate within the highly fragmented global market for financial services IT software and services. We believe that HEPS is a leading provider of software and services to higher education institutions and the public sector. AS is the pioneer and leader in the availability services industry.

***Attractive industry dynamics.*** We believe that the sectors in which we participate have favorable growth dynamics. We believe that FS will benefit from several key industry dynamics: the shift from internal to external IT spending, the shift from infrastructure to application software spending, and the general increase in IT spending associated with rising compliance and regulatory requirements and real-time information needs. We believe that HEPS will benefit from favorable growth dynamics in higher education and public safety IT spending. We believe that AS will continue to benefit from strong internal growth in the small and medium business sector. We believe that our extensive experience and the significant total capital that we have invested in AS and our strong relationships with our customers in the relatively fragmented software and processing sectors that we serve help us to maintain leading positions. We believe that these factors provide us with competitive advantages and enhance our growth potential.

***Highly attractive business model.*** Our portfolio of businesses have substantial recurring revenue, a diversified customer base and significant operating cash flow generation.

***Extensive portfolio of businesses with substantial recurring revenue.*** With a large portfolio of services and products in each of our three business segments, we have a diversified and stable business. We estimate that approximately 89% of our revenue for the past three fiscal years was recurring in nature. In FS, none of our business units accounted for more than 6% of FS revenue in 2006. Because our FS customers generally pay us monthly fees that are based on metrics such as number of users or accounts, we believe that our FS revenue is more insulated from trading and transaction volumes than the financial services industry at large. Our portfolio of businesses and the largely recurring nature of our revenue across all three of our segments have reduced volatility in our revenue and income from operations.

***Diversified and stable customer base.*** Our base of more than 25,000 customers includes the world's 50 largest financial services firms, a variety of other financial services firms, corporate and government treasury departments, energy companies, institutions of higher education, school districts and not-for-profit organizations. Our AS business serves customers across most sectors of the economy. We believe that our specialized solutions and services help our customers improve operational efficiency, capture growth opportunities and respond to regulatory requirements, which results in long-term customer relationships. Our customer base is highly diversified with no single customer accounting for more than 3% of total revenue during any of the last three fiscal years.

***Significant operating cash flow generation.*** The combination of moderate capital expenditures and minimal working capital requirements allows us to convert a significant proportion of our revenue to cash available for debt service.

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## **Table of Contents**

***Experienced and committed management team with track record of success.*** Our management team, operating within an entrepreneurial culture, has a long track record of operational excellence, has a proven ability to acquire and integrate complementary businesses, and is highly committed to our Company's long-term success.

***Long track record of operational excellence.*** We have a solid track record of performance consistent with internal financial targets. Our experienced senior executive officers have proven capabilities in both running a global business and managing numerous applications that are important to our customers. Our FS solutions account for and manage over \$25 trillion in investment assets and process over 5 million transactions per day. In our HEPS business, more than 1,600 institutions rely on SunGard Higher Education to support their digital campuses. Our AS business has had a 100% success rate in supporting customer recoveries since our inception.

***Successful, disciplined acquisition program.*** To complement our organic growth, we have a highly disciplined, due diligence-intensive program to evaluate, execute and integrate acquisitions. We have completed more than 150 acquisitions over the past 20 years and overall have improved the operating performance of acquired businesses. Our ongoing acquisition program has contributed significantly to our long-term growth and success.

***Experienced and committed management team.*** Our senior executive officers have on average more than 15 years of industry experience. Our senior managers have committed significant personal capital to our Company in connection with the Transaction.

### **Business Strategy**

We are focused on expanding our position not only as a leading provider of integrated software and processing solutions, but also as the provider of choice for a wide range of availability services for a broad base of information-dependent enterprises. Our operating and financial strategy emphasizes fiscal discipline, profitable revenue growth and significant operating cash flow generation. In pursuit of these objectives, we have implemented the following strategies:

***Expand our industry-leading franchise.*** We are constantly enhancing our product and service offerings across our portfolio of businesses, further building and leveraging our customer relationships, and looking to acquire complementary businesses at attractive valuations.

***Enhance our product and service offerings.*** We continually support, upgrade and enhance our systems to incorporate new technology and meet the needs of our customers for increased operational efficiency and resilience. Our strong base of recurring revenue allows us to reinvest in our products and services. We continue to introduce innovative products and services in all three of our business segments. We believe that our focus on product enhancement and innovation will help us to increase our penetration of existing and new customers.

***Extend our strong customer relationships.*** We focus on developing trusted, well-managed, long-term relationships with our customers. We look to maximize cross-selling opportunities, increase our share of our customers' total IT spending and maintain a high level of customer satisfaction. Our global account management program allows us to present a single face to our larger FS customers as well as better target potential cross-selling opportunities.

***Acquire and integrate complementary businesses.*** We seek to opportunistically acquire, at attractive valuations, businesses that broaden our existing product and service offerings.

**Table of Contents**

expand our customer base and strengthen our leadership positions, especially within the fragmented FS and HEPS markets. Before committing to an acquisition, we devote significant resources to due diligence and to developing a post-acquisition integration plan, including the identification and quantification of potential cost savings. Our ongoing acquisition program has contributed significantly to our long-term growth and success.

***Optimize our attractive business model.*** We continue to focus on maintaining our attractive business model and, in particular, increasing our recurring revenue base and identifying and implementing opportunities for incremental operational improvement.

***Maintain our recurring revenue base.*** We strive to generate a high level of recurring revenue and stable cash flow from operations. Many of the products and services we offer feature recurring monthly fees that are based on multi-year contracts, and we continue to prefer such contracts because they offer high levels of revenue stability and visibility. Moreover, we believe that our high quality services and customized solutions help increase the level of integration and efficiency for our customers and reduce customer losses to other vendors or to in-house solutions.

***Implement incremental operational improvements.*** We have identified opportunities to further increase revenue, reduce costs and improve cash flow from operations. These include the global account management program, which stimulates cross-selling opportunities and account penetration for our largest customers; centralization of certain product management functions and expansion of certain software development capacity in lower-cost regions; the selective integration of certain FS and HEPS business units; and the increased focus on generating revenue from ancillary services such as customer training and education as well as consulting.

***Enhance our performance-based culture.*** We have an experienced management team that is focused on enhancing our performance-based culture. We will continue to evaluate and implement programs to improve our current management structure through competitive compensation plans and continue to design effective human resources initiatives to retain key individuals from acquired businesses. Our compensation program, consistent with past practice, is highly performance-based.



**Table of Contents****Business Segment Overview****Our Segments**

	<b>Higher Education and</b>		
	<b>Financial Systems</b>	<b>Public Sector Systems</b>	<b>Availability Services</b>
Revenue for the Year Ended December 31, 2006	\$2.10 billion	\$870 million	\$1.36 billion
Products and Organization	Software and processing solutions that automate the many detailed processes associated with trading securities, managing portfolios of and accounting for investment assets	Specialized enterprise resource planning and administrative solutions	Portfolio of always ready standby services, as well as advanced recovery and always on production services that help businesses maintain uninterrupted access to their critical information and computer systems
Key Facts	50+ primary brands	30+ products	3,000,000+ square feet of operations space  25,000+ mile global network
Primary Customers	Financial services companies  Corporate and government treasury departments  Energy companies	Higher education institutions  School districts  State and local governments  Not-for-profit organizations	Large, medium and small companies across virtually all industries

***Financial Systems***

In FS, we primarily serve financial services institutions through a broad range of complementary software solutions that process their investment and trading transactions. These solutions are grouped into the following business areas: (1) institutional asset management and securities servicing systems; (2) trading, treasury and risk management systems; (3) wealth management and brokerage systems; and (4) benefit administration and insurance systems. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing investment portfolios and accounting for investment assets. We also provide professional services that focus on application implementation and integration of these solutions and on software development.

Since our inception, we have consistently enhanced our FS systems to add new features, process new types of financial instruments, incorporate new technologies and meet evolving customer

## **Table of Contents**

demands. In addition, we have acquired many FS businesses, most being smaller providers of specialized products that were similar or complementary to the FS products we already owned.

Our FS solutions are used by customers on both the buy-side and sell-side of the global financial services industry, as well as corporate and government treasury departments and energy companies. Buy-side customers include banks, investment managers, mutual funds, investment advisors, insurance companies, trustees, benefit plan administrators and others involved in buying, holding and managing investments. Sell-side customers include brokers, exchange members, depositories, custodians, transfer agents and others involved in selling, brokering and trading financial instruments. Approximately five million transactions per day are processed by our systems at some point in the trade cycle.

We deliver many of our FS solutions as an application service provider, primarily from our data centers located in North America and Europe that customers access through the Internet or virtual private networks. We also deliver some of our FS solutions by licensing the software to customers for use on their own computers.

Our operating group for our FS business units based in Europe better serves our European customers by focusing our product development and distribution strategies on their specific requirements. During 2006, we expanded operations in Asia Pacific through the acquisitions of System Access Limited and Shanghai Fudan Kingstar Computer Co., Ltd. System Access, based in Singapore, offers universal banking software solutions for financial institutions worldwide and provides us with an opportunity to establish new and deepen existing relationships with banks in Asia Pacific, Central and Eastern Europe, and the Middle East and Africa. Kingstar is a leading provider of software and processing solutions for China's financial services industry, higher education and public sector and serves more than 400 customers.

### *Institutional Asset Management and Securities Servicing Systems*

Our institutional asset management and securities servicing systems include a range of software solutions used primarily by buy-side customers to maintain the books of record for all types of institutional investment portfolios, such as those managed by institutional asset managers, mutual funds, hedge funds, funds of funds, banks, prime brokers and third party administrators. We offer an integrated investment management application suite that provides straight-through processing for investment transactions, with comprehensive front- to back-office functionality including trade order management, execution support, portfolio management, compliance checking, accounting and reporting.

Our investment management systems are used to track investment activities including purchases and sales of securities, value portfolios using securities prices from various market sources, provide performance measurement and attribution analyses, perform complex accounting calculations and general ledger postings, and generate a variety of accounting, audit, tax and regulatory reports. In addition, some of these systems are used by investment advisors and other portfolio managers to analyze large investment portfolios using various models to assist with investment strategy and management decisions. We also provide software solutions that address the specialized accounting needs of domestic and offshore hedge funds and funds of funds and that address the specialized needs of private equity partnerships and venture capital funds. In 2006, we strengthened our offerings to hedge funds through the acquisition of Integrated Business Systems, Inc., a leading provider of portfolio accounting solution for hedge funds.

## **Table of Contents**

### *Trading, Treasury and Risk Management Systems*

Our trading systems are used by traders worldwide to trade most types of financial instruments and commodities, including equities, fixed income, foreign exchange, and their derivatives and to help manage and report trades efficiently. The capabilities of our trading systems range from online transaction initiation and order management to integrated trading, trade matching, and accounting. Many of our customers achieve further efficiencies by completing transactions through the SunGard Transaction Network, which links participants across the financial industry to provide automated order routing for a variety of securities types, including U.S. and foreign equities, fixed-income instruments, mutual funds, money market funds, certificates of deposit, and commercial paper, as well as offering a full-service equities trading desk for institutional investors. We also operate a clearing broker that provides order routing, execution and clearing for professional traders and institutional investors.

Our treasury systems are used by the treasury departments of corporate and government entities worldwide to manage cash, accounts receivable and payable, debt and investments.

We provide a range of software solutions that automate risk management and trading operations for capital markets globally. Generally, these products are used by traders and market makers of fixed income securities, foreign exchange contracts and equities, and their related derivatives such as interest rate and credit derivatives, convertible bonds, foreign exchange options and equity options. These front- to back-office systems help customers price and analyze trades, manage market and credit risk across the institution, process and account for trading activities and determine hedging strategies to manage risk. These systems also help customers monitor compliance with regulations and with their own trading policies, limits and internal controls.

We also provide a comprehensive solution for global banks to manage the credit risk associated with their worldwide trading activities. This solution allows users to consolidate credit exposures, optimize collateral management, and monitor compliance with capital requirements and regulations such as Basel II. We also provide to banks, mortgage and credit lenders and other institutions asset and liability management software with comprehensive risk management and performance measurement functionality.

We provide software systems that help utilities, power generating companies and energy traders, producers and distribution companies to manage physical and financial trading activities. These systems provide trading support, market and credit risk management, trade processing, power scheduling and accounting functions.

We also provide exception management and reporting systems to financial services institutions. These systems automatically detect and repair errors that occur when transactions move between systems, which helps prevent exceptions in straight-through processing. In addition, we offer software solutions that provide intelligent message transformation, content-based routing, and data validation and enrichment, primarily for payments and post-trade automation. This helps financial services firms to integrate their financial messaging business processes.

### *Wealth Management and Brokerage Systems*

Our wealth management systems include a range of software solutions used primarily by bank trust departments to manage and service the portfolios of high net worth individuals. We offer an

## **Table of Contents**

integrated wealth management application suite that provides straight-through processing for global asset management firms and includes functionality for portfolio management and performance measurement, trade order management, regulatory and tax compliance, preparation of customer statements and handling of other customer services.

Several of our wealth management systems are used to automate the investment, operations and administrative areas unique to the bank trust business, including cash and portfolio management, payment of trust expenses, retiree benefits and beneficiary distributions and preparation of tax returns for taxable trusts. Other wealth management systems are used to automate the functions associated with the worldwide custody and safekeeping of invested assets, such as trade settlement, investment income collection, tax reclamation, foreign exchange and reconciliation of depository and sub-custodian positions.

We also provide a range of solutions used by brokers, banks and insurance companies to support front office wealth management activities. For example, we provide software solutions that are used by retail brokers in their advisory role to track customer contacts and manage customer portfolios. We also provide systems that enable our customers to provide online brokerage services to their own customers. Other wealth management systems are used by investment advisors to identify new prospects, create customer profiles, analyze customer needs, assess customer suitability, monitor compliance and cross-sell products. We also provide information management systems that are used by brokers and investment professionals to make informed investment decisions based on timely, dependable market data from exchanges and leading industry providers worldwide. In addition, we offer historical market and reference data and technology to perform trading analytics, quantitative modeling and portfolio processing.

We also provide systems that automate the functions associated with worldwide securities lending activities and facilitate straight-through processing by providing a single, centralized order routing network that links lenders and borrowers of securities.

Our clearing solutions provide comprehensive processing of equities, fixed income securities and exchange traded futures, options and other instruments. Used primarily by broker/dealers and other sell-side customers, these systems address important facets of securities transaction processing, including clearing, position keeping, regulatory and tax compliance and reporting, investment accounting and recordkeeping.

### *Benefit Administration and Insurance Systems*

Our employee benefit plan systems automate the participant accounting activities associated with defined contribution retirement plans, such as 401(k) plans. These systems maintain the books of record for each participant's share of the cash and securities in the plan, monitor compliance with government regulations and plan restrictions, process cash contributions and benefit payments and produce tax reports for plan sponsors and participants. As a complement to these systems, we offer document generation systems for creating retirement plan documents and forms, and software for generating annual government filings and returns by employee benefit plans. With the recent acquisition of ProNvest Inc., we now offer managed account services to 401(k) participants and electronic signature software.

We also provide to the global insurance industry integrated marketing and policy administration solutions for both insurance agencies and home offices, supporting individual and group insurance,

## **Table of Contents**

annuity, investment contract and pension policy administration. Insurance solutions include client management, financial analysis, retirement and estate planning and policy illustrations.

Our investor accounting systems automate the transfer agent process for stock, bond and mutual fund issues. These systems maintain shareholder and bondholder positions, process new accounts, record purchases and sales, process cash deposits and disbursements, process dividend and interest distributions, generate proxy materials, tabulate votes, and produce tax reports and periodic shareholder and bondholder statements.

We provide specialized imaging and workflow management solutions for certain niches within the financial services industry.

### *Enterprise Solutions*

Our enterprise solutions group brings product management, global account management, offshore services and consulting services together in order to market and sell enterprise software and processing solutions primarily to our global accounts. The enterprise solutions group employs industry experts who work with global account customers to proactively define and plan enterprise solutions that address their current and anticipated requirements.

### *Higher Education and Public Sector Systems*

In HEPS, we primarily provide specialized enterprise resource planning and administrative software and services to institutions of higher education, school districts and other not-for-profit organizations, as well as state and local governments. These solutions include accounting, personnel, fundraising, grant and project management, student administration and reporting for educational and not-for-profit organizations and accounting, personnel, utility billing, land management, public safety and justice administration for governments. We also provide long-term outsourcing solutions to higher education institutions related to the management of technology, enterprise resource planning system implementations, and the integration of technology in the classroom and online.

#### *Higher Education*

Our Higher Education solutions helps colleges and universities build, unify and manage their digital campuses. We work collaboratively with institutions to create learning environments distinguished by self-service convenience, operational efficiency and academic excellence through a broad spectrum of industry-leading software and services. These include administrative and academic solutions; business and curriculum planning solutions; portal, collaboration and content management solutions; information access and business intelligence solutions; strategic consulting; systems implementation and integration solutions; and technology outsourcing solutions.

#### *Public Sector*

In Public Sector Systems, we serve a wide range of customers including K-12 school districts, not-for-profit organizations, local governments and emergency services with a growing range of specialized enterprise resource planning and administrative solutions for functions such as accounting, human resources, payroll, utility billing, land management, public safety and justice.

## **Table of Contents**

### ***Availability Services***

In AS, we help our customers maintain uninterrupted access to the information and computer systems they need to run their businesses by providing them with cost-effective resources to keep their information technology, or IT, reliable and secure. We pioneered commercial disaster recovery in the late 1970s, and, over the past 25 years, we have consistently expanded our business to add facilities and platforms, incorporate new technologies and meet evolving customer demands. We believe that our dedicated focus on information availability, together with our experience, technology expertise, resource management capabilities, vendor neutrality and diverse service offerings, uniquely position us to meet customer demands in an environment where business functions are critically dependent on availability of information.

Because data and business applications can vary significantly in importance, there is a need for a broad range of information availability services. A customer's tolerance for downtime with respect to a particular application and the cost of the solution will dictate the type and complexity of availability services that the customer will select for that application. Our principal AS offering is a broad range of always ready standby services that were traditionally called disaster recovery services. As technology and customer needs evolved, we not only expanded the scope of our standby services, but also developed advanced recovery services and always on production services. We provide all of these services on a subscription basis. We help customers select and blend multiple services to achieve an overall business solution tailored to meet their goals for both production and recovery. We also provide professional services to help our customers design, implement and maintain the ways they access critical information. With our comprehensive portfolio of AS offerings, complemented by professional services, we can meet customers' varied information availability requirements with cost-effective, reliable and secure solutions. To service our nearly 10,000 AS customers, we operate more than 3,000,000 square feet of operations space at over 60 locations in 10 countries and a global network of approximately 25,000 miles.

Our always ready standby services help customers recover key information and systems in the event of an unplanned interruption, such as a major system failure, significant power or communication outage, security breach, labor stoppage, terrorist attack, fire, flood or natural disaster. These services are best suited for the recovery of customer applications that can tolerate some level of interruption. By providing backup IT infrastructure, communications network and alternate workspace for personnel, we help customers restore access to information and processing within a short period of time after an interruption, usually from several hours to two days. We deliver these services using processors, servers, storage devices, networks and other resources and infrastructure that are subscribed to by multiple customers, which results in economies of scale for us and cost-effectiveness for our customers. These resources and infrastructure, when not needed by customers to recover from actual interruptions, are used around the clock by customers to test their plans for dealing with potential interruptions.

We believe that an important element of our value proposition is our ability to successfully manage recovery operations for our customers over an extended period of time. Since our inception, we have had a 100% success rate supporting customer recoveries from unplanned interruptions, including during recent major disasters such as the 2005 Gulf Coast hurricanes, 2004 Florida hurricanes, the 2003 Northeast U.S. blackout and the September 11, 2001 terrorist attacks.

The primary standby service is called a hot site service in which we provide 24/7 access to fully operational backup computer systems, allowing customers to recover their mainframe, distributed

## **Table of Contents**

systems and server technology. We support more than 30 different operating platforms and specialized industry solutions. Many of our standby solutions can be provided in one of our mobile recovery units or delivered to a customer's facility.

We also offer a variety of advanced recovery services that blend hot site services and dedicated data storage resources, supported by a common robust infrastructure. These blended solutions are sometimes referred to as high availability, data vaulting or data mirroring solutions. The dedicated data storage resources, which are used exclusively by a single customer, allow the customer to continuously mirror its data at one of our sites. If there is an unplanned interruption at the customer's site, the backup data is immediately available for restoring operations using our hot site service. This helps customers minimize data loss and reduce recovery times.

Our production services help our customers keep their most critical applications up and running at all times. These always on services are most needed when disruptions can have immediate and severe financial and reputational repercussions. They are engineered with redundant or failover capabilities to virtually eliminate the possibility of any disruption and to limit any downtime to at most a few seconds or minutes. Production services typically require more dedicated processors, servers, storage devices, networks and other resources, which are either obtained by the customer or provided by us for the customer's exclusive use. Examples of these production services are managed hosting, managed IT services, network access management, security and optimization services, and e-mail archiving and retrieval. We can typically provide always on production services in a cost-effective manner by leveraging our comprehensive resources and infrastructure as well as our resource management skills and purchasing power, all of which provide us with certain economies of scale.

As solutions move along the continuum of information availability services from always ready standby services to blended advanced recovery services to always on production services, they become more complex and require more dedicated resources. Advanced recovery services often result in greater use of both shared and dedicated resources and, therefore, typically generate appreciably higher revenue and income with a modest increase in capital expenditures and a modest decrease in operating margin percentage rate. Production services require significant dedicated resources and, therefore, generally produce even higher revenue and income at an appropriately lower operating margin percentage rate. Although standby services remain our principal revenue generating services, advanced recovery and production services increasingly account for a greater percentage of our new sales.

## **Acquisitions**

To complement our organic growth, we have a highly disciplined, due diligence intensive program to evaluate, execute and integrate acquisitions. Generally, we seek to acquire businesses that broaden our existing product lines and service offerings by adding complementary products and service offerings and by expanding our geographic reach. During 2006, we spent approximately \$163 million in cash to acquire ten FS businesses.

**Table of Contents**

The following table lists the businesses we acquired in 2006:

<b>Acquired Company/Business</b>	<b>Date Acquired</b>	<b>Description</b>
Dataware Solutions, Inc.	03/14/06	Employee compliance solutions for financial institutions.
Armonys Technology SAS.	04/28/06	Consulting and IT professional services to financial institutions in France.
ProNvest Inc.	09/18/06	Managed investment account services to 401(k) participants and electronic signature and authentication software.
System Access Limited	10/02/06	Universal banking solutions for retail and wholesale banking based in Singapore.
Soliton's Time Square business	10/02/06	Data management software and services.
Trax NV	10/10/06	Payment and liquidity management solutions.
Shanghai Fudan Kingstar Computer Co., Ltd.	10/31/06	Software and processing solutions for China's financial services, higher education and public sector.
Carnot AG	11/03/06	Business process management solutions based in Germany.
Integrated Business Systems, Inc.	11/17/06	Investment accounting software and services for hedge funds.
Automated Financial Systems Corporation	12/14/06	Front-office solutions for the retail brokerage industry.

**Product Development**

We continually support, upgrade and enhance our systems to meet the needs of our customers for operational efficiency and resilience and to leverage advances in technology.

We fund most of our routine ongoing software support activities through a portion of the monthly fees paid by our application service provider customers and the software support and related upgrade fees paid by our license customers. Our expenditures for software development during the years ended December 31, 2004, 2005 and 2006, including amounts that were capitalized, totaled approximately \$254 million, \$265 million and \$276 million, respectively. These amounts do not include routine software support costs that are included in cost of sales, nor do they include costs incurred in performing certain customer-funded development projects in the ordinary course of business.

**Marketing**

Most of our financial systems are marketed throughout North America and Europe and many are marketed worldwide, with the principal focus being on selling additional products and services to existing customers. Our availability services and higher education and public sector systems are marketed primarily in North America and Europe, with a focus on both new accounts and existing accounts. Our revenue from sales outside the United States during the years ended December 31, 2004, 2005 and 2006 totaled approximately \$918 million, \$1,102 million and \$1,232 million, respectively.



## **Table of Contents**

### **Competition**

Since most of our computer services and software are specialized and technical in nature, most of the market niches in which we compete have a relatively small number of significant competitors. Some of our existing competitors and some potential competitors have substantially greater financial, technological and marketing resources than we have (see ITEM 1A RISK FACTORS).

**Financial Systems.** In our FS business, we compete with numerous other data processing and software vendors that may be broadly categorized into two groups. One group is comprised of specialized financial systems companies, which are much smaller than us. The other group is comprised of large computer services companies whose principal businesses are not in the financial systems area, some of which are also active acquirors. We also face competition from the internal processing and information technology departments of our customers and prospects. The key competitive factors in marketing financial systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and quality of customer support, degree of responsiveness, level of software development expertise, total cost of ownership and return on investment. We believe that we compete effectively with respect to each of these factors and that our reputation and experience in this business are important competitive advantages.

**Higher Education and Public Sector Systems.** In our HEPS business, we compete with a variety of other vendors depending upon customer characteristics such as size, type, location, computing environment and functional requirements. For example, there may be different competitors for different sizes or types of educational institutions or government agencies, or in different states or geographic regions. Competitors in this business range from larger providers of generic enterprise resource planning systems to smaller providers of specialized applications and technologies. We also compete with outsourcers and systems integrators, as well as the internal processing and information technology departments of our customers and prospective customers. The key competitive factors in marketing higher education and public sector systems are the accuracy and timeliness of processed information provided to customers, features and adaptability of the software, level and quality of customer support, degree of responsiveness, level of software development expertise and overall net cost. We believe that we compete effectively as to each of these factors and that our leadership and reputation in this business are important competitive advantages.

**Availability Services.** In our AS business, our greatest source of competition is in-house dedicated solutions, which are production or standby solutions that our customers or prospective customers develop and maintain internally instead of purchasing those solutions from a commercial vendor such as us. Although in-house solutions provide customers with exclusive access to resources and infrastructure, we believe that, for many customers, building and maintaining an in-house solution is significantly more costly and difficult than subscribing to comparable services from us. This is because of our economies of scale, experience, technology expertise, resource management skills and vendor neutrality.

Historically, our single largest commercial competitor in the AS business has been IBM Corporation, which we believe is the only company other than ours that currently provides the full continuum of availability services. We also face competition from specialized vendors, including hardware manufacturers, data-replication software companies, outsourcers, managed hosting companies, IT services companies and telecommunications companies. We sometimes face a competitive disadvantage with respect to pricing because some of our competitors have a motivation to

## **Table of Contents**

bundle availability services with hardware or other products and services for what appears to be little or no additional cost to the customer in order to sell the hardware or other products. We believe, however, that our solutions are more flexible than these bundled services and, because of our scale and experience, more comprehensive than the ones offered by our competitors. We believe that this places us in a better long-term position to satisfy the requirements of customers as their businesses and needs for availability services grow and evolve.

We believe that we compete effectively with respect to the key competitive factors in information availability, namely quality of infrastructure, scope and quality of services, including breadth of hardware platforms and network capacity, level and quality of customer support, level of technical expertise, and price. We also believe that our experience and reputation as an innovator in information availability, our proven track record, our financial stability and our ability to provide the entire continuum of availability services as a single vendor solution are important competitive advantages.

## **Employees**

On December 31, 2006, we had approximately 16,600 employees. We believe that our success depends partly on our continuing ability to retain and attract skilled technical, sales and management personnel. While skilled personnel are in high demand and competition exists for their talents, we believe that we have been able to retain and attract highly qualified personnel (see ITEM 1A RISK FACTORS). We believe that our employee relations are excellent.

## **Proprietary Protection**

We own registered marks for the SUNGARD name and own or have applied for trademark registrations for many of our services and software products.

To protect our proprietary services and software, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. We also have established policies requiring our personnel and representatives to maintain the confidentiality of our proprietary property. We have a few registrations of our copyrights and a number of patents and patent applications pending. We will continue to apply for software and business method patents on a case-by-case basis and will continue to monitor ongoing developments in the evolving software and business method patent field (see ITEM 1A RISK FACTORS).

## **ITEM 1A. RISK FACTORS**

Certain of the matters we discuss in this Report on Form 10-K may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as believes, expects, may, will, should, seeks, approximately, intends, plans, anticipates or similar expressions which concern our strategy, plans or intentions. All statements we make relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. All of these forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions.

## **Table of Contents**

While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Some of the factors that we believe could affect our results include:

our high degree of leverage;

general economic and market conditions;

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

the integration of acquired businesses, the performance of acquired businesses, and the prospects for future acquisitions;

the effect of war, terrorism, natural disasters or other catastrophic events;

the effect of disruptions to our systems and infrastructure;

the timing and magnitude of software sales;

the timing and scope of technological advances;

customers taking their information availability solutions in-house;

the trend in information availability toward solutions utilizing more dedicated resources;

the market and credit risks associated with clearing broker operations;

the ability to retain and attract customers and key personnel;

risks relating to the foreign countries where we transact business; and

the ability to obtain patent protection and avoid patent-related liabilities in the context of a rapidly developing legal framework for software and business-method patents.

The factors described in this paragraph and other factors that may affect our business or future financial results, as and when applicable, are discussed in our filings with the Securities and Exchange Commission ( SEC ), including this Report on Form 10-K. We assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

## **Risks Related to Our Indebtedness**

**Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our debt obligations.**

As a result of being acquired on August 11, 2005 by a consortium of private equity investment funds, we are highly leveraged and our debt service requirements are significant. At December 31, 2006, our total indebtedness was \$7.44 billion, and we had \$987 million available for borrowing under our revolving credit facility, after giving effect to certain outstanding letters of credit. In addition, at December 31, 2006, we had borrowed \$376 million of our \$450 million off-balance sheet receivables facility.

**Table of Contents**

Our high degree of leverage could have important consequences, including:

making it more difficult for us to make payments on our debt obligations;

increasing our vulnerability to general economic and industry conditions;

requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;

exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our senior secured credit facilities, the floating rate senior notes and our receivables facility are at variable rates of interest;

restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and

limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit facilities and the indentures relating to our senior notes due 2013 and senior subordinated notes due 2015. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

**Our debt agreements contain restrictions that limit our flexibility in operating our business.**

Our senior secured credit agreement and the indentures governing our senior notes due 2013 and senior subordinated notes due 2015 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries ability to, among other things:

incur additional indebtedness or issue certain preferred shares;

pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;

make certain investments;

sell certain assets;

create liens;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and

enter into certain transactions with our affiliates.

In addition, under the senior secured credit agreement, we are required to satisfy and maintain specified financial ratios and other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those ratios and tests. A breach of any of these covenants could result in a default under the senior secured credit agreement. Upon an event of default under the senior secured credit agreement, the

## **Table of Contents**

lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit.

If we were unable to repay those amounts, the lenders under the senior secured credit agreement could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under the senior secured credit agreement and the senior notes due 2009 and 2014, to the extent required by the indenture governing these notes. If the lenders under the senior secured credit agreement accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay the senior secured credit facilities and the senior notes, as well as our unsecured indebtedness.

### **Risks Related to Our Business**

**Our business depends largely on the economy and financial markets, and a slowdown or downturn in the economy or financial markets could adversely affect our business and results of operations.**

When there is a slowdown or downturn in the economy, a drop in stock market levels or trading volumes, or an event that disrupts the financial markets, our business and financial results may suffer for a number of reasons. Customers may react to worsening conditions by reducing their capital expenditures in general or by specifically reducing their spending on information technology. In addition, customers may curtail or discontinue trading operations, delay or cancel information technology projects, or seek to lower their costs by renegotiating vendor contracts. Also, customers with excess information technology resources may choose to take their availability solutions in-house rather than obtain those solutions from us. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers to lower cost solutions. If any of these circumstances remain in effect for an extended period of time, there could be a material adverse effect on our financial results. Because our financial performance tends to lag behind fluctuations in the economy, our recovery from any particular downturn in the economy may not occur until after economic conditions have generally improved.

**Our business depends largely on the financial services industry, and a weakening of the financial services industry could adversely affect our business and results of operations.**

Because our customer base is concentrated in the financial services industry, our business is largely dependent on the health of that industry. When there is a general downturn in the financial services industry, or if our customers in that industry experience financial or business problems, our business and financial results may suffer. If financial services firms continue to consolidate, there could be a material adverse effect on our business and financial results. When a customer merges with a firm using its own solution or another vendor's solution, they could decide to consolidate on a non-SunGard system, which could have an adverse effect on our financial results.

**Our acquisition program is an important element of our strategy but, because of the uncertainties involved, this program may not be successful and we may not be able to successfully integrate and manage acquired businesses.**

Part of our growth strategy is to pursue additional acquisitions in the future. There can be no assurance that our acquisition program will continue to be successful. In addition, we may finance any future acquisition with debt, which would increase our interest costs. If we are unable to successfully

## Table of Contents

integrate and manage acquired businesses, or if acquired businesses perform poorly, then our business and financial results may suffer. It is possible that the businesses we have acquired and businesses that we acquire in the future may perform worse than expected or prove to be more difficult to integrate and manage than expected. If that happens, there may be a material adverse effect on our business and financial results for a number of reasons, including:

we may have to devote unanticipated financial and management resources to acquired businesses;

we may not be able to realize expected operating efficiencies or product integration benefits from our acquisitions;

we may have to write-off goodwill or other intangible assets; and

we may incur unforeseen obligations or liabilities in connection with acquisitions.

**If we are unable to identify suitable acquisition candidates and successfully complete acquisitions, our growth and our financial results may be adversely affected.**

Our growth has depended in part on our ability to acquire similar or complementary businesses on favorable terms. This growth strategy is subject to a number of risks that could adversely affect our business and financial results, including:

we may not be able to find suitable businesses to acquire at affordable valuations or on other acceptable terms;

we may face competition for acquisitions from other potential acquirers, some of whom may have greater resources than us or may be less highly leveraged, or from the possibility of an acquisition target pursuing an initial public offering of its stock;

we may have to incur additional debt to finance future acquisitions as we have done in the past and no assurance can be given as to whether, and on what terms, such additional debt will be available; and

we may find it more difficult or costly to complete acquisitions due to changes in accounting, tax, securities or other regulations.

**Catastrophic events may disrupt or otherwise adversely affect the markets in which we operate, our business and our profitability.**

Our business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our customers, the financial markets or the overall economy. The potential for a direct impact is due primarily to our significant investment in our infrastructure. Although we maintain redundant facilities and have contingency plans in place to protect against both man-made and natural threats, it is impossible to fully anticipate and protect against all potential catastrophes. Despite our preparations, a security breach, criminal act, military action, power or communication failure, flood, severe storm or the like could lead to service interruptions and data losses for customers, disruptions to our operations, or damage to our important facilities. The same disasters or circumstances that may lead to our customers requiring access to our availability services may negatively impact our own ability to provide such services. Our three largest availability services facilities are particularly important, and a major disruption at one or more of those facilities could disrupt or otherwise impair our ability to provide services to our availability services customers. If any



## **Table of Contents**

of these events happen, we may be exposed to unexpected liability, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

### **Our application service provider systems may be subject to disruptions that could adversely affect our reputation and our business.**

Our application service provider systems maintain and process confidential data on behalf of our customers, some of which is critical to their business operations. For example, our trading, treasury and risk management systems maintain account and trading information for our customers and their clients, and our benefit administration and insurance systems maintain investor account information for retirement plans, insurance policies and mutual funds. There is no guarantee that the systems and procedures that we maintain to protect against unauthorized access to such information are adequate to protect against all security breaches. If our application service provider systems are disrupted or fail for any reason, or if our systems or facilities are infiltrated or damaged by unauthorized persons, our customers could experience data loss, financial loss, harm to reputation and significant business interruption. If that happens, we may be exposed to unexpected liability, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results.

### **Because the sales cycle for our software is typically lengthy and unpredictable, our results may fluctuate from period to period.**

Our operating results may fluctuate from period to period and be difficult to predict in a particular period due to the timing and magnitude of software sales. We offer some of our financial systems on a license basis, which means that the customer has the right to run the software on its own computers. The customer usually makes a significant up-front payment to license software, which we generally recognize as revenue when the license contract is signed and the software is delivered. The size of the up-front payment often depends on a number of factors that are different for each customer, such as the number of customer locations, users or accounts. As a result, the sales cycle for a software license may be lengthy and take unexpected turns. Thus, it is difficult to predict when software sales will occur or how much revenue they will generate. Since there are few incremental costs associated with software sales, our operating results may fluctuate from quarter to quarter and year to year due to the timing and magnitude of software sales.

### **Rapid changes in technology and our customers' businesses could adversely affect our business and financial results.**

Our business may suffer if we do not successfully adapt our products and services to changes in technology and changes in our customers' businesses. These changes can occur rapidly and at unpredictable intervals and we cannot assure you that we will be able to respond adequately. If we do not successfully update and integrate our products and services to adapt to these changes, or if we do not successfully develop new products and services needed by our customers to keep pace with these changes, then our business and financial results may suffer. Our ability to keep up with technology and business changes is subject to a number of risks, including:

we may find it difficult or costly to update our products and services and to develop new products fast enough to meet our customers' needs;

## **Table of Contents**

we may find it difficult or costly to make some features of our products and services work effectively and securely over the Internet;

we may find it difficult or costly to integrate more of our FS solutions into efficient straight-through processing solutions;

we may find it difficult or costly to update our products and services to keep pace with business, regulatory and other developments in the financial services industry, where many of our customers operate; and

we may find it difficult or costly to update our services to keep pace with advancements in hardware, software and telecommunications technology.

Some technological changes, such as advancements that have facilitated the ability of our AS customers to develop their own internal solutions, may render some of our products and services less valuable or eventually obsolete. In addition, because of ongoing, rapid technological changes, the useful lives of some technology assets have become shorter and customers are therefore replacing these assets more often. As a result, our customers are increasingly expressing a preference for contracts with shorter terms, which could make our revenue less predictable in the future.

### **Customers taking their availability solutions in-house may continue to create pressure on our internal revenue growth rate.**

Our AS solutions allow customers to leverage our significant infrastructure and take advantage of our experience, technology expertise, resource management capabilities and vendor neutrality. Nevertheless, some customers, especially among the very largest having significant information technology resources, prefer to develop and maintain their own in-house availability solutions, which can result in a loss of revenue from those customers. Technological advances in recent years have significantly reduced the cost yet not the complexity of developing in-house solutions. Over the past several years, business lost to customers taking their availability solutions in-house generally has offset our new sales. If this trend continues or worsens, there will be continued pressure on our internal revenue growth rate.

### **The trend toward information availability solutions utilizing more single customer dedicated resources likely will lower our overall operating margin percentage over time.**

In the information availability services industry, especially among our more sophisticated customers, there is an increasing preference for solutions that utilize some level of dedicated resources, such as blended advanced recovery services and always on production services. The primary reason for this trend is that adding dedicated resources, although more costly, provides greater control, reduces data loss and facilitates quicker responses to business interruptions. Advanced recovery services often result in greater use of both shared and dedicated resources and, therefore, typically generate appreciably higher revenue with only a modest increase in capital expenditures and a modest decrease in operating margin percentage. Production services require significant dedicated resources and, therefore, generally produce even higher revenue at an appropriately lower operating margin percentage.

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

Organizations like the Securities and Exchange Commission and National Association of Securities Dealers can, among other things, fine, censure, issue cease-and-desist orders and suspend or

## **Table of Contents**

expel a broker/dealer or any of its officers or employees for failures to comply with the many laws and regulations that govern brokerage operations. Our ability to comply with these laws and regulations is largely dependent on our establishment, maintenance and enforcement of an effective brokerage compliance program. Our failure to establish, maintain and enforce proper brokerage compliance procedures, even if unintentional, could subject us to significant losses, lead to disciplinary or other actions, and tarnish our reputation. Regulations affecting the brokerage industry, in particular with respect to active traders, may change, which could adversely affect our financial results.

We are exposed to certain risks due to the trading activities of our customers and professional traders of our brokerage operations. If customers or professional traders fail to pay for securities they buy, or fail to cover their short sales, or fail to repay margin loans we make to them, then we may suffer losses, and these losses may be disproportionate to the relatively modest revenue and profit contributions of this business. In our other businesses, we generally can disclaim liability for trading losses that may be caused by our software, but in our brokerage operations, we cannot limit our liability for trading losses even when we are not at fault.

### **We could lose revenue due to fiscal funding or termination for convenience clauses in certain customer contracts, especially in our HEPS business.**

Certain of our customer contracts, particularly those with governments, institutions of higher education and school districts, may be partly or completely terminated by the customer due to budget cuts or sometimes for any reason at all. These types of clauses are often called fiscal funding or termination for convenience clauses. If a customer exercises one of these clauses, the customer would be obligated to pay for the services we performed up to the date of exercise, but would not have to pay for any further services. While we have not been materially affected by exercises of these clauses in the past, we may be in the future. If customers that collectively represent a substantial portion of our revenue were to invoke the fiscal funding or termination for convenience clauses of their contracts, our future business and results of operations could be adversely affected.

### **If we fail to comply with government regulations in connection with our providing technology services to certain financial institutions, our business and results of operations may be adversely affected.**

Because we act as a third-party service provider to financial institutions and provide mission-critical applications for many financial institutions that are regulated by one or more member agencies of the Federal Financial Institutions Examination Council ( FFIEC ), we are subject to examination by the member agencies of the FFIEC. More specifically, we are a Multi-Regional Data Processing Servicer of the FFIEC because we provide mission critical applications for financial institutions from several data centers located in different geographic regions. As a result, the FFIEC conducts periodic reviews of certain of our operations in order to identify existing or potential risks associated with our operations that could adversely affect the financial institutions to whom we provide services, evaluate our risk management systems and controls, and determine our compliance with applicable laws that affect the services we provide to financial institutions. In addition to examining areas such as our management of technology, data integrity, information confidentiality and service availability, the reviews also assess our financial stability. Our incurrence of significant debt in connection with the Transaction increases the risk of an FFIEC agency review determining that our financial stability has been weakened. A sufficiently unfavorable review from the FFIEC could result in our financial institution customers not being allowed to use our technology services, which could have a material adverse effect on our business and financial condition.

## **Table of Contents**

### **If we are unable to retain or attract customers, our business and financial results will be adversely affected.**

If we are unable to keep existing customers satisfied, sell additional products and services to existing customers or attract new customers, then our business and financial results may suffer. A variety of factors could affect our ability to successfully retain and attract customers, including the level of demand for our products and services, the level of customer spending for information technology, the level of competition from customers that develop their own solutions internally and from other vendors, the quality of our customer service, our ability to update our products and develop new products and services needed by customers, and our ability to integrate and manage acquired businesses. Our services revenue, which has been largely recurring in nature, comes from the sale of our products and services under fixed-term contracts. We do not have a unilateral right to extend these contracts when they expire. If customers cancel or refuse to renew their contracts, or if customers reduce the usage levels or asset values under their contracts, there could be a material adverse effect on our business and financial results.

### **If we fail to retain key employees, our business may be harmed.**

Our success depends on the skill, experience and dedication of our employees. If we are unable to retain and attract sufficiently experienced and capable personnel, especially in product development, sales and management, our business and financial results may suffer. For example, if we are unable to retain and attract a sufficient number of skilled technical personnel, our ability to develop high quality products and provide high quality customer service may be impaired. Experienced and capable personnel in the technology industry remain in high demand, and there is continual competition for their talents. When talented employees leave, we may have difficulty replacing them, and our business may suffer. There can be no assurance that we will be able to successfully retain and attract the personnel that we need.

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

During 2006, approximately 28% of our revenue was generated outside the United States. Approximately 77% of this revenue was from customers located in the United Kingdom and Continental Europe. During 2006, we expanded our operations in Asia Pacific. Because we sell our services outside the United States, our business is subject to risks associated with doing business internationally. Accordingly, our business and financial results could be adversely affected due to a variety of factors, including:

changes in a specific country's or region's political and cultural climate or economic condition;

unexpected changes in foreign laws and regulatory requirements;

difficulty of effective enforcement of contractual provisions in local jurisdictions;

inadequate intellectual property protection in foreign countries;

trade-protection measures, import or export licensing requirements such as Export Administration Regulations promulgated by the U.S. Department of Commerce and fines, penalties or suspension or revocation of export privileges;

the effects of applicable foreign tax structures and potentially adverse tax consequences; and

significant adverse changes in foreign currency exchange rates.

## **Table of Contents**

### **The private equity firms that acquired the Company ( Sponsors ) control us and may have conflicts of interest with us.**

Investment funds associated with or designated by the Sponsors indirectly own, through their ownership in our parent companies, a substantial portion of our capital stock. As a result, the Sponsors have control over our decisions to enter into any corporate transaction regardless of whether noteholders believe that any such transaction is in their own best interests. For example, the Sponsors could cause us to make acquisitions or pay dividends that increase the amount of indebtedness that is secured or that is senior to our senior subordinated notes or to sell assets.

Additionally, the Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. One or more of the Sponsors may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as investment funds associated with or designated by the Sponsors continue to indirectly own a significant amount of the outstanding shares of our common stock, even if such amount is less than 50%, the Sponsors will continue to be able to strongly influence or effectively control our decisions.

### **If we are unable to protect our proprietary technologies and defend infringement claims, we could lose one of our competitive advantages and our business could be adversely affected.**

Our success depends in part on our ability to protect our proprietary products and services and to defend against infringement claims. If we are unable to do so, our business and financial results may suffer. To protect our proprietary technology, we rely upon a combination of copyright, patent, trademark and trade secret law, confidentiality restrictions in contracts with employees, customers and others, software security measures, and registered copyrights and patents. Despite our efforts to protect the proprietary technology, unauthorized persons may be able to copy, reverse engineer or otherwise use some of our technology. It also is possible that others will develop and market similar or better technology to compete with us. Furthermore, existing patent, copyright and trade secret laws may afford only limited protection, and the laws of certain countries do not protect proprietary technology as well as United States law. For these reasons, we may have difficulty protecting our proprietary technology against unauthorized copying or use. If any of these events happens, there could be a material adverse effect on the value of our proprietary technology and on our business and financial results. In addition, litigation may be necessary to protect our proprietary technology. This type of litigation is often costly and time-consuming, with no assurance of success.

The legal framework for software and business method patents is rapidly evolving. Some of our competitors may have been more aggressive than us in applying for or obtaining patent protection for innovative proprietary technologies both in the United States and internationally. There can be no assurance that in the future third parties will not assert infringement claims against us (as they have already done in the past) and preclude us from using a technology in our products or require us to enter into royalty and licensing arrangements on terms that are not favorable to us, or force us to engage in costly infringement litigation, which could result in us paying monetary damages or being forced to redesign our products to avoid infringement. Additionally, our licenses and service agreements with our customers generally provide that we will defend and indemnify them for claims against them relating to our alleged infringement of the intellectual property rights of third parties with respect to our products or services. We might have to defend or indemnify our customers to the extent they are subject to these types of claims. Any of these claims may be difficult and costly to defend and may lead to unfavorable judgments or settlements, which could have a material adverse effect on our

## **Table of Contents**

reputation, business and financial results. For these reasons, we may find it difficult or costly to add or retain important features in our products and services.

### **Defects, design errors or security flaws in our products could harm our reputation and expose us to potential liability.**

Most of our FS and HEPS products are very complex software systems that are regularly updated. No matter how careful the design and development, complex software often contains errors and defects when first introduced and when major new updates or enhancements are released. If errors or defects are discovered in our current or future products, we may not be able to correct them in a timely manner, if at all. In our development of updates and enhancements to our products, we may make a major design error that makes the product operate incorrectly or less efficiently.

In addition, certain of our products include security features that are intended to protect the privacy and integrity of customer data. Despite these security features, our products and systems, and our customers' systems may be vulnerable to break-ins and similar problems caused by third parties, such as hackers bypassing firewalls and misappropriating confidential information. Such break-ins or other disruptions could jeopardize the security of information stored in and transmitted through our computer systems and those of our customers, subject us to liability and tarnish our reputation. We may need to expend significant capital resources in order to eliminate or work around errors, defects, design errors or security problems. Any one of these problems in our products may result in the loss of or a delay in market acceptance of our products, the diversion of development resources, a lower rate of license renewals or upgrades and damage to our reputation, and in turn may increase service and warranty costs.

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

None.

### **ITEM 2. PROPERTIES**

We lease space, primarily for availability services facilities, data centers, sales offices, customer support offices and administrative offices, in many locations worldwide. We also own some of our computer and office facilities. Our principal facilities include our leased availability services facilities in Philadelphia, Pennsylvania (578,200 square feet), Carlstadt, New Jersey (522,300 square feet), and Hounslow, England (195,000 square feet) and include our financial systems application service provider centers in Voorhees, New Jersey, Birmingham, Alabama, Burlington, Massachusetts, Ridgefield, New Jersey and Weehawken, New Jersey. We believe that our leased and owned facilities are adequate for our present operations.

### **ITEM 3. LEGAL PROCEEDINGS**

We are presently a party to certain lawsuits arising in the ordinary course of our business. We believe that none of our current legal proceedings will be material to our business, financial condition or results of operations.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**Table of Contents****PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**  
Our outstanding common stock is privately held, and there is no established public trading market for our common stock. As of the date of this filing, there was one holder of record of our common stock.

See ITEM 7, Liquidity and Capital Resources - The Transaction for a description of restrictions on our ability to pay dividends.

**ITEM 6. SELECTED FINANCIAL DATA**

<i>(in millions)</i>	Predecessor			January 1 through August 10, 2005	Successor August 11 through December 31, 2005	Combined <sup>(1)</sup> Year Ended December 31, 2005	Successor 2006
	2002	2003	2004				
<b>Income Statement Data<sup>(2)(3)</sup></b>							
Revenue	\$ 2,593	\$ 2,955	\$ 3,556	\$ 2,371	\$ 1,631	\$ 4,002	\$ 4,323
Income from operations	547	623	704	296	197	493	532
Net income	326	370	454	146	(29)	117	(118)

	Predecessor			Successor		
	2002	2003	2004	2005	2006	
<b>Balance Sheet Data<sup>(2)</sup></b>						
Total assets		\$ 3,282	\$ 4,000	\$ 5,195	\$ 14,587	\$ 14,671
Total short-term and long-term debt		206	200	554	7,429	7,439
Stockholder's equity		2,222	2,766	3,252	3,572	3,574

(1) Our combined results for the year ended December 31, 2005 represent the addition of the Predecessor period from January 1, 2005 through August 10, 2005 and the Successor period from August 11, 2005 through December 31, 2005. This combination does not comply with generally accepted accounting principles or with the rules for pro forma presentation, but is presented because we believe it provides the most meaningful comparison of our results.

(2) Includes the effect of business acquisitions and dispositions from the date of each event. There were nine acquisitions in 2002, nine acquisitions in 2003, ten acquisitions in 2004, eleven acquisitions in 2005 and ten acquisitions in 2006. Three businesses were sold in each of 2004 and 2006. See Note 2 of Notes to Consolidated Financial Statements.

(3) 2004 includes a gain of \$78 million from the sale of Brut LLC, offset by \$6 million of costs associated with the abandoned spin-off of SunGard Availability Services.

The period from January 1, 2005 through August 10, 2005 includes \$59 million of accounting, investment banking, legal and other costs associated with the Transaction and the abandoned spin-off of SunGard Availability Services as well as \$59 million resulting from the acceleration of stock options and restricted stock.

The period from August 11, 2005 through December 31, 2005 includes \$18 million consisting primarily of payroll taxes and certain compensation expenses related to the Transaction.

See Notes 1 and 2 of Notes to Consolidated Financial Statements.





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**Table of Contents**

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Overview**

We are one of the world's leading software and IT services companies. We provide software and processing solutions to institutions throughout the financial services industry, higher education, and the public sector; and we help enterprises of all types to maintain the continuity of their business through information availability services. We support more than 25,000 customers in over 50 countries, including the world's 50 largest financial services companies. We operate our business in three segments: Financial Systems ( FS ), Higher Education and Public Sector Systems ( HEPS ) and Availability Services ( AS ). Our FS segment primarily serves financial services companies, corporate and government treasury departments and energy companies. Our HEPS segment primarily serves higher education institutions, state and local governments and not-for-profit organizations. Our AS segment serves information-dependent companies across virtually all industries.

SunGard Data Systems Inc. ( SunGard ) was acquired on August 11, 2005 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 Texas Pacific Group (the Transaction ). 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. SunGard Capital Corp. II and SunGard Capital Corp. are collectively referred to as the Parent Companies. All 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, cash flows and stockholder's equity 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. We have prepared our discussion of the results of operations by comparing the mathematical combination, without making any pro forma adjustments, of the Successor and Predecessor periods in the year ended December 31, 2005 to the years ended December 31, 2006 and December 31, 2004. Although this presentation does not comply with generally accepted accounting principles ( GAAP ), we believe it provides a meaningful method of comparison. The combined operating results have not been prepared as pro forma results under applicable regulations and may not reflect the actual results we would have achieved absent the Transaction and may not be predictive of future results of operations.

In FS, we primarily serve financial services institutions through a broad range of complementary software solutions that process their investment and trading transactions. These solutions are grouped into the following business areas: (1) institutional asset management and securities servicing systems; (2) trading, treasury and risk management systems; (3) wealth management and brokerage systems; and (4) benefit administration and insurance systems. The principal purpose of most of these systems is to automate the many detailed processes associated with trading securities, managing investment portfolios and accounting for investment assets.

## **Table of Contents**

In HEPS, we primarily provide specialized enterprise resource planning and administrative software and services to institutions of higher education, school districts and other not-for-profit organizations, as well as state and local governments.

In AS, we help our customers maintain uninterrupted access to the information and computer systems they need to run their businesses by providing them with cost-effective resources to keep their information technology, or IT, reliable and secure. We offer a continuum of availability services from always ready standby solutions to always on production services. We also provide professional services to help our customers design, implement and maintain the ways they access critical information.

The following discussion includes historical and certain forward-looking information that should be read together with the accompanying Consolidated Financial Statements and related footnotes and the discussion above of certain risks and uncertainties (see ITEM 1A RISK FACTORS) that could cause future operating results to differ materially from historical results or the expected results indicated by forward-looking statements.

### **Use of Estimates and Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make many estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Those estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. We review our estimates and judgments on an ongoing basis and revise them when necessary. Actual results may differ from the original or revised estimates. A summary of our significant accounting policies is contained in Note 1 of Notes to Consolidated Financial Statements. A description of the most critical policies follows. Our management has discussed the critical accounting policies described below with our audit committee.

### ***Intangible Assets and Purchase Accounting***

As discussed above, 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 was approximately \$11.73 billion. Purchase accounting requires that all assets and liabilities be recorded at fair value on the acquisition date, including identifiable intangible assets separate from goodwill. Identifiable intangible assets include customer base (which includes customer contracts and relationships), software and trade name. Goodwill represents the excess of cost over the fair value of net assets acquired. For the Transaction and for other significant acquisitions, we obtain independent appraisals and valuations of the intangible (and certain tangible) assets acquired and certain assumed obligations.

The estimated fair values and useful lives of identified intangible assets are based on many factors, including estimates and assumptions of future operating performance and cash flows of the acquired business, the nature of the business acquired, the specific characteristics of the identified intangible assets, and our historical experience and that of the acquired business. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could

## **Table of Contents**

change due to numerous factors, including product demand, market conditions, technological developments, economic conditions and competition. The carrying values and useful lives for amortization of identified intangible assets are reviewed on an ongoing basis, and any resulting changes in estimates could have a material adverse effect on our financial results.

When circumstances change or at least annually, we compare the carrying value of our reporting units to their estimated fair value. If the carrying value is greater than the respective estimated fair value, we then determine if the goodwill is impaired, and whether some or all of the goodwill should be written off as a charge to operations, which could have a material adverse effect on our financial results. The estimate of fair value requires various assumptions including the use of projections of future cash flows and discount rates that reflect the risks associated with achieving the future cash flows. Changes in the underlying business could affect these estimates, which in turn could affect the fair value of the reporting unit.

In connection with certain acquisitions, we have accrued the estimated costs of closing certain facilities. Costs for closing leased facilities are estimated based on the condition and remaining lease term of each facility, the expected closure date and an assessment of relevant market conditions, including an estimate of any sub-lease rental income we can reasonably expect to obtain at the time of the acquisition. Costs for closing owned facilities are based on the difference between the estimated net proceeds from a sale of the facility and its carrying value. These estimates are based on an assessment of the condition of the facility, its location and relevant market conditions. The estimated cost of closing our existing facilities is included in merger costs, and the estimated cost of closing acquired facilities is included in goodwill. Merger costs or goodwill could change due to the finalization of plans for closing facilities and completion of valuations, as well as the settlement of lease obligations or sale of owned facilities. A change in market conditions after the acquisition date could change the estimated costs for closing facilities and may result in a charge or credit to merger costs, which could have a material effect on our financial results.

## ***Revenue Recognition***

We generate services revenue from availability services, processing services, software maintenance and rentals, professional services and broker/dealer fees. All services revenue is recorded as the services are provided based on the fair value of each element. Fair value is determined based on the sales price of each element when sold separately. Most AS services revenue consists of fixed monthly fees based upon the specific computer configuration or business process for which the service is being provided, and the related costs are incurred ratably over the contract period. When recovering from an interruption, customers generally are contractually obligated to pay additional fees, which typically cover our incremental costs of supporting customers during recoveries. FS services revenue includes monthly fees, which may include a fixed minimum fee and/or variable fees based on a measure of volume or activity, such as the number of users, accounts, trades or transactions or the number of hours of service.

For fixed-fee professional services contracts, services revenue is recorded based upon the estimated percentage of completion, measured by the actual number of hours incurred divided by the total estimated number of hours for the project. When contracts include both professional services and software and require a significant amount of program modification or customization, installation, systems integration or related services, the professional services and license revenue is recorded based upon the estimated percentage of completion, measured in the manner described above.

## **Table of Contents**

Changes in the estimated costs or hours to complete the contract are reflected in the period during which the change becomes known. Losses, if any, are recognized immediately.

License fees result from contracts that permit the customer to use our software products at its site. Generally, these contracts are multiple-element arrangements since they usually provide for professional services and ongoing software maintenance. In these instances, license fees are recognized upon the signing of the contract and delivery of the software if the license fee is fixed, collection is probable, and there is sufficient evidence of the fair value of each undelivered element. Revenue is recorded over the contract period when customer payments are extended beyond normal billing terms, or when there is significant acceptance, technology or service risk. Revenue also is recorded over the contract period in those instances where the software is bundled together with computer equipment or other post-delivery services, and there is not sufficient evidence of the fair value of each element.

We believe that our revenue recognition practices comply with the complex and evolving rules governing revenue recognition. Future interpretations of existing accounting standards, new standards or changes in our business practices could result in changes in our revenue recognition accounting policies that could have a material effect on our financial results.

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

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Considerable judgment is required in assessing and estimating these amounts and differences between the actual outcome of these future tax consequences and our estimates could have a material effect on our financial results.

### ***Accounting for Stock-Based Compensation***

As of the date of the Transaction, the Company adopted SFAS No. 123R (revised 2004), Share-Based Payment ( SFAS 123R ), using the modified prospective method, which requires companies to record stock compensation expense over the remaining service period for all unvested awards as of the adoption date. Accordingly, prior period amounts have not been restated. Using 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 appropriate service period. Determining the fair value of stock-based awards requires considerable judgment, including estimating the expected term of stock options, expected volatility of our stock price, and the number of awards expected to be forfeited. In addition, for stock-based awards where vesting is dependent upon achieving certain operating performance goals, we estimate the likelihood of achieving the performance goals. Differences between actual results and these estimates could have a material effect on our financial results. A deferred income tax asset is recorded over the vesting period as stock compensation expense is recorded. The realizability of the deferred tax asset is ultimately based on the actual value of the stock-based award upon exercise. If the actual value is lower than the fair value determined on the date of grant, then there could be an income tax expense for the portion of the deferred tax asset that is not realizable. This income tax expense could have a material effect on our financial results.

**Table of Contents****Results of Operations**

The following table sets forth, for the periods indicated, certain amounts included in our Consolidated Statements of Operations and the relative percentage that those amounts represent to consolidated revenue (unless otherwise indicated).

	Predecessor		Successor Period		Combined <sup>(1)</sup>		Successor	
	Year Ended	Period from	Period from	Year ended	Year Ended			
	December 31,	January 1 through August 10,	August 11 through December 31,	December 31,	December 31,			
	2004	2005	2005	2005	2006			
(in millions)	% of revenue			% of revenue	% of revenue			
<b>Revenue</b>								
Financial systems (FS)	\$ 1,871	53%	\$ 1,120	\$ 786	\$ 1,906	48%	\$ 2,095	48%
Higher education and public sector systems (HEPS)	525	15%	471	317	788	20%	870	20%
Software & processing solutions	2,396	67%	1,591	1,103	2,694	67%	2,965	69%
Availability services (AS)	1,160	33%	780	528	1,308	33%	1,358	31%
	\$ 3,556	100%	\$ 2,371	\$ 1,631	\$ 4,002	100%	\$ 4,323	100%
<b>Costs and Expenses</b>								
Cost of sales and direct operating	\$ 1,608	45%	\$ 1,119	\$ 741	\$ 1,860	46%	\$ 1,980	46%
Sales, marketing and administration	665	19%	456	343	799	20%	915	21%
Product development	236	7%	154	96	250	6%	255	6%
Depreciation and amortization	218	6%	141	89	230	6%	238	6%
Amortization of acquisition-related intangible assets	119	3%	84	147	231	6%	399	9%
Merger costs	6		121	18	139	3%	4	
	\$ 2,852	80%	\$ 2,075	\$ 1,434	\$ 3,509	88%	\$ 3,791	88%
<b>Operating Income</b>								
Financial systems <sup>(2)</sup>	\$ 319	17%	\$ 183	\$ 104	\$ 287	15%	\$ 237	11%
Higher education and public sector systems <sup>(2)</sup>	82	16%	76	47	123	16%	127	15%
Software & processing solutions <sup>(2)</sup>	401	17%	259	151	410	15%	364	12%
Availability services <sup>(2)</sup>	365	31%	197	128	325	25%	288	21%
Corporate administration	(56)	(2)%	(39)	(64)	(103)	(3)%	(116)	(3)%
Merger costs	(6)		(121)	(18)	(139)	(3)%	(4)	
	\$ 704	20%	\$ 296	\$ 197	\$ 493	12%	\$ 532	12%

- (1) Our combined results for the year ended December 31, 2005 represent the addition of the Predecessor period from January 1, 2005 through August 10, 2005 and the Successor period from August 11, 2005 through December 31, 2005. This combination does not comply with GAAP or with the rules for pro forma presentation, but is presented because we believe it provides a meaningful comparison of our results.

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- (2) Percent of revenue is calculated as a percent of revenue from FS, HEPS, Software & Processing Solutions, and AS, respectively.

**Table of Contents**

The following table sets forth, for the periods indicated, certain supplemental revenue data and the relative percentage that those amounts represent to total revenue.

	Predecessor		Successor Period from August 11 through December 31,		Combined <sup>(1)</sup>	Successor		
	Year Ended December 31,	Period from January 1 through August 10,	2005	2005	Year ended December 31,	2006	Year Ended December 31,	
(in millions)	2004	2005	2005	2005	2005	2006	2006	
	% of revenue	% of revenue	% of revenue	% of revenue	% of revenue	% of revenue	% of revenue	
<b>Financial Systems</b>								
Services	\$ 1,630	46%	\$ 968	\$ 648	\$ 1,616	40%	\$ 1,814	42%
License and resale fees	166	5%	99	104	203	5%	197	5%
Total products and services	1,796	51%	1,067	752	1,819	45%	2,011	47%
Reimbursed expenses	75	2%	53	34	87	2%	84	2%
	\$ 1,871	53%	\$ 1,120	\$ 786	\$ 1,906	48%	\$ 2,095	48%
<b>Higher Education and Public Sector Systems</b>								
Services	\$ 418	12%	\$ 393	\$ 257	\$ 650	16%	\$ 716	17%
License and resale fees	96	3%	70	55	125	3%	141	3%
Total products and services	514	14%	463	312	775	19%	857	20%
Reimbursed expenses	11		8	5	13		13	
	\$ 525	15%	\$ 471	\$ 317	\$ 788	20%	\$ 870	20%
<b>Software &amp; Processing Solutions</b>								
Services	\$ 2,048	58%	\$ 1,361	\$ 905	\$ 2,266	57%	\$ 2,530	59%
License and resale fees	262	7%	169	159	328	8%	338	8%
Total products and services	2,310	65%	1,530	1,064	2,594	65%	2,868	66%
Reimbursed expenses	86	2%	61	39	100	2%	97	2%
	\$ 2,396	67%	\$ 1,591	\$ 1,103	\$ 2,694	67%	\$ 2,965	69%
<b>Availability Services</b>								
Services	\$ 1,132	32%	\$ 765	\$ 513	\$ 1,278	32%	\$ 1,340	31%
License and resale fees	20	1%	10	7	17		4	
Total products and services	1,152	32%	775	520	1,295	32%	1,344	31%
Reimbursed expenses	8		5	8	13		14	
	\$ 1,160	33%	\$ 780	\$ 528	\$ 1,308	33%	\$ 1,358	31%
<b>Total Revenue</b>								
Services	\$ 3,180	89%	\$ 2,126	\$ 1,418	\$ 3,544	89%	\$ 3,870	90%
License and resale fees	282	8%	179	166	345	9%	342	8%

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Total products and services	3,462	97%	2,305	1,584	3,889	97%	4,212	97%
Reimbursed expenses	94	3%	66	47	113	3%	111	3%
	\$ 3,556	100%	\$ 2,371	\$ 1,631	\$ 4,002	100%	\$ 4,323	100%

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- (1) As described above, our combined results for the year ended December 31, 2005 represent the addition of the Predecessor period from January 1, 2005 through August 10, 2005 and the Successor period from August 11, 2005 through December 31, 2005. This combination does not comply with GAAP or with the rules for pro forma presentation, but is presented because we believe it provides a meaningful comparison of our results.



## Table of Contents

### **Year Ended December 31, 2006 Compared to Year Ended December 31, 2005**

#### *Income from Operations:*

Despite \$147 million of incremental amortization of acquisition-related intangible assets resulting from the Transaction ( incremental amortization ), a \$13 million decrease in software license fees and a \$9 million increase in non-cash stock compensation cost in 2006, the operating margin of 12% was unchanged from 2005 because 2005 included the following items that did not recur in 2006: \$139 million in merger costs, a \$21 million reduction in revenue related to purchase accounting adjustments recorded in connection with the Transaction (the deferred revenue adjustment ), and an \$11 million one-time charge related to the relocation of an AS facility.

#### *Financial Systems:*

The FS operating margin was 11% for the year ended December 31, 2006 compared to 15% for the year ended December 31, 2005. Operating income decreased \$50 million in 2006 primarily due to \$78 million of incremental amortization, and a \$6 million decrease in software license fees, partially offset by improved performance and the effect of the 2005 deferred revenue adjustment of \$7 million.

The most important factors affecting the FS operating margin are:

the operating margins of recently acquired businesses, which tend to be lower at the outset and improve over a number of years,

the level of IT spending and its impact on the overall demand for professional services and software license sales,

the rate and value of contract renewals, new contract signings and contract terminations,

continued pressure on pricing both in contract renewals and new contract signings,

the level of trading volumes, and

the overall condition of the financial services industry and the effect of any further consolidation among financial services firms.

#### *Higher Education and Public Sector Systems:*

The HEPS operating margin was 15% for the year ended December 31, 2006 compared to 16% for the year ended December 31, 2005. Operating income increased \$4 million in 2006 primarily due to improved performance and the 2005 deferred revenue adjustment of \$6 million, partially offset by \$13 million of incremental amortization and a \$6 million decrease in software license fees.

The most important factors affecting the HEPS operating margin are:

the rate and value of contract renewals, new contract signings and contract terminations,

the level of IT spending and its impact on the overall demand for professional services and software license sales, and

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continued pressure on pricing both in contract renewals and new contract signings.

### *Availability Services:*

The AS operating margin was 21% for the year ended December 31, 2006 compared to 25% for the year ended December 31, 2005. Operating income decreased \$37 million in 2006 primarily due to \$56 million of incremental amortization, partially offset by a one-time charge of \$11 million in 2005 related to the relocation of an AS facility and the 2005 deferred revenue adjustment of \$8 million.

## **Table of Contents**

The most important factors affecting the AS operating margin are:

the rate and value of contract renewals, new contract signings and contract terminations,

the timing and magnitude of equipment and facilities expenditures, and

the trend toward availability solutions utilizing more dedicated resources.

The margin rate of the AS European business is inherently lower than the margin rate of the North American business due primarily to lower economies of scale in the distinct geographic markets served and, to a lesser extent, a higher percentage of always on solutions.

### *Revenue:*

Total revenue was \$4.32 billion for the year ended December 31, 2006 compared to \$4.00 billion for the year ended December 31, 2005. The increase in total revenue in 2006 was due primarily to internal revenue growth. Internal revenue growth was approximately 6% in 2006 compared to approximately 6.5% in 2005. Internal revenue is defined as revenue from businesses owned for at least one year and further adjusted for the effects of businesses sold in the previous twelve months and the deferred revenue adjustment in 2005. When assessing our financial results, we focus on growth in internal revenue because overall revenue growth is affected by the timing and magnitude of acquisitions, dispositions and by purchase accounting adjustments.

Services revenue, which is largely recurring in nature, includes revenue from availability services, processing services, software support and rentals, professional services, broker/dealer fees and hardware rentals. Services revenue increased to \$3.87 billion from \$3.54 billion, representing approximately 90% of total revenue in 2006 compared to 89% in 2005. The revenue increase of \$326 million in 2006 was due to internal revenue growth of \$247 million across all segments, the impact of acquired revenue in FS and HEPS, and the 2005 deferred revenue adjustment.

Professional services revenue was \$767 million and \$644 million in 2006 and 2005, respectively. The \$123 million increase was due primarily to FS internal and acquired revenue.

Revenue from license and resale fees was \$342 million and \$345 million for the years ended December 31, 2006 and 2005, respectively, and includes software license revenue of \$255 million and \$266 million, respectively. The decrease in license fees primarily resulted from a \$19 million software license backlog at the end of 2004 which was recognized in 2005.

### *Financial Systems:*

FS revenue was \$2.10 billion for the year ended December 31, 2006 compared to \$1.91 billion for the year ended December 31, 2005. Services revenue increased \$198 million and license and resale fees decreased \$6 million. The increase in services revenue is due primarily to internal revenue growth, in particular in professional services revenue in the benefit administration and insurance group. The decrease in software license fees was across the segment and primarily reflects the impact of \$9 million of software license backlog at December 31, 2004 which was recognized as revenue in 2005. Total FS internal revenue increased approximately 7% in 2006, compared to approximately 6% in 2005.

### *Higher Education and Public Sector Systems:*

HEPS revenue was \$870 million for the year ended December 31, 2006 compared to \$788 million for the year ended December 31, 2005. Services revenue increased \$66 million and license and resale fees increased \$16 million. Software license fees were \$69 million in 2006, a decrease of \$5 million,

**Table of Contents**

which primarily reflects the impact of \$8 million of software license backlog at December 31, 2004 which was recognized as revenue in 2005. Resale fees increased \$21 million compared to the prior year due primarily to a business acquired in the first quarter of 2005. HEPS internal revenue growth was approximately 7% and 12% in 2006 and 2005, respectively.

*Availability Services:*

AS revenue was \$1.36 billion for the year ended December 31, 2006 compared to \$1.31 billion for the year ended December 31, 2005, a 4% increase. AS internal revenue increased approximately 4% in 2006 compared to a 5% increase in 2005.

*Costs and Expenses:*

Total costs and expenses as a percentage of total revenue were 88% for each of the years ended December 31, 2006 and 2005. The increase of \$282 million in total costs was primarily due to increased expenses across all segments and to acquired businesses. Total costs and expenses in 2006 include incremental amortization of \$148 million while total costs and expenses in 2005 include \$139 million in merger costs, both of which relate to the Transaction.

Cost of sales and direct operating expenses as a percentage of total revenue were 46% for each of the years ended December 31, 2006 and 2005. The increase of \$120 million was due primarily to increased costs across all segments, and the increase from acquired HEPS and FS businesses, offset by a one-time charge in 2005 of \$11 million related to the relocation of an AS facility.

Sales, marketing and administration expenses as a percentage of total revenue were 21% for the year ended December 31, 2006 compared to 20% for the year ended December 31, 2005. The increase of \$116 million was due primarily to increased costs in FS, to acquired FS businesses and to the increase in non-cash stock compensation of \$9 million (see Note 6 of Notes to Consolidated Condensed Financial Statements).

Because AS product development costs are insignificant, it is more meaningful to measure product development expense as a percentage