

SUNGARD CAPITAL CORP
Form 10-K
March 25, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from to

Commission File Numbers:

SunGard Capital Corp. 000-53653

SunGard Capital Corp. II 000-53654

SunGard Data Systems Inc. 001-12989

SunGard® Capital Corp.

SunGard® Capital Corp. II

SunGard® Data Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware	20-3059890
Delaware	20-3060101
Delaware	51-0267091
(State 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:

Restricted Stock Units Granting Conditional Rights to Units Consisting of:

Class A Common Stock of SunGard Capital Corp., par value \$0.001 per share,

Class L Common Stock of SunGard Capital Corp., par value \$0.001 per share, and

Preferred Stock of SunGard Capital Corp. II, par value \$0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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SunGard Capital Corp.	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
SunGard Capital Corp. II	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
SunGard Data Systems Inc.	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

SunGard Capital Corp.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
SunGard Capital Corp. II	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
SunGard Data Systems Inc.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

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

SunGard Capital Corp.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
SunGard Capital Corp. II	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
SunGard Data Systems Inc.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

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

SunGard Capital Corp.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
SunGard Capital Corp. II	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
SunGard Data Systems Inc.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

Indicate by check mark 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.

SunGard Capital Corp.	<input checked="" type="checkbox"/>	SunGard Capital Corp. II	<input checked="" type="checkbox"/>	SunGard Data Systems Inc.	<input checked="" type="checkbox"/>
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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

SunGard Capital Corp.	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
SunGard Capital Corp. II	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
SunGard Data Systems Inc.	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

SunGard Capital Corp.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
SunGard Capital Corp. II	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

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SunGard Data Systems Inc.

Yes No

The aggregate market value of the registrants' voting stock held by nonaffiliates is zero. The registrants are privately held corporations.

The number of shares of the registrants' common stock outstanding as of March 1, 2015:

SunGard Capital Corp.:	257,737,736 shares of Class A common stock and 28,637,524 shares of Class L common stock
SunGard Capital Corp. II:	100 shares of common stock
SunGard Data Systems Inc.:	100 shares of common stock

DOCUMENTS INCORPORATED BY REFERENCE

None.

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Explanatory Note

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

Forward-Looking Statements

Certain of the matters we discuss in this Report 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, estimates or anticipates, or similar expressions which concern our strategy, plans 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 describe 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.

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PART I

ITEM 1. BUSINESS

General

SunGard is a global software company serving the financial services and the public sector and education industries. We offer a wide range of innovative software solutions, delivered as traditional software offerings or via software as a service (SaaS) and the cloud, and surround them with an extensive suite of services. These world-class systems, combined with our deep domain expertise and our steadfast attention to our customers' needs, position us well to compete successfully and to benefit from the growth trends in the markets we serve. Considering the breadth of our product portfolio and the depth of our capabilities, we are uniquely capable of supporting virtually every type of financial institution, including the largest and most complex financial customers in the world.

In 2014, we generated over \$2.8 billion of revenue, employing approximately 13,000 people, and serving over 15,000 customers. We are a leader in the industry and are consistently ranked in the top 10 companies in the FinTech 100 ranking of financial technology companies.

Our customers' business environment is dynamic and increasingly more complicated. Across the industries that we serve, sophisticated risk management requirements and compliance with ever-changing regulations are adding cost and complexity to our customers' operations. At the same time, their shareholders are demanding improved efficiency and increased transparency. In this environment, our customers demand exceptional solutions and, with spending and resources under pressure, they are turning to a small number of trusted global technology companies to help make them successful. This plays to our strength, as our applications can lower cost, improve control and speed decision making all of which helps improve our customers' profitability.

We are also expanding the reach of our products beyond our traditional software offerings to SaaS and the cloud. Our well-established SaaS offerings and global cloud delivery centers host and support our applications. In some instances, we also perform business processing as a service (BPaaS), centered on our key technology, for our customers either individually or in a utility model.

Our professional services organization offers technology consulting, product implementation and optimization to address customers' needs. These highly skilled resources are capable of integrating and extending our products into a customer's computing infrastructure, speeding deployment and optimizing the software in the customer's environment.

We were acquired in August 2005 in a leveraged buy-out (the LBO) by a consortium of private equity investment funds associated with Bain Capital Partners, The Blackstone Group, Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co., Providence Equity Partners, Silver Lake and TPG (collectively, the Sponsors). As a result of the LBO, we are highly leveraged and our equity is not publicly traded.

Our Sponsors continually evaluate various strategic alternatives with respect to the Company. There can be no assurance that we will ultimately pursue any strategic alternatives with respect to any business, or, if we do, what the structure or timing for any such transaction would be.

On March 31, 2014, SunGard completed the split-off of its Availability Services (AS) business to its existing stockholders, including its Sponsors, on a tax-free and pro-rata basis (the AS Split-Off).

We operate our business in two segments: Financial Systems (FS) and Public Sector & Education (PS&E).

Our FS business provides software and services to the breadth of the financial marketplace including capital markets (sell side) and asset management (buy side) customers. In addition, we provide specific offerings to

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address the needs of a broad range of customers, including insurance companies, corporate treasurers, wealth managers and leasing companies. Increasingly our core technology is being applied across the firms in the industry, providing greater consistency for our customers and improved operating leverage for SunGard.

PS&E provides mission critical software and technology services to domestic governments at all levels, nonprofits and utilities and to kindergarten through 12th grade (K-12) educational institutions.

We provide a large portfolio of products to customers who are diversified both geographically and by industry. Our base of over 15,000 customers includes an extensive list of financial services firms, including most of the world's largest financial institutions. In addition, we serve corporate and government treasury departments, energy companies, school districts, local governments and nonprofit organizations. During each of the past three fiscal years, no single customer has accounted for more than 3% of total revenue. In many cases, our products and services are offered under multi-year contracts, providing good visibility to revenue trends and allowing us to manage spending proactively.

To the extent required by Item 1 of Form 10-K, financial information regarding our segments is included in Note 14 of the Notes to Consolidated Financial Statements in this Report.

Segment Overview

Financial Systems

FS provides mission critical software and technology services to financial services institutions, corporate and government treasury departments and energy companies. Our solutions automate the many complex business processes associated with trading, managing investment portfolios and accounting for investment assets, and also address the processing requirements of a broad range of users within the financial services sector. In addition, we provide technology services that focus on application implementation and integration of these solutions, custom software development and application management. We continue to invest in our solutions to add new features, process new types of financial instruments, meet new regulatory requirements, incorporate new technologies and meet evolving customer needs on a global basis.

Our core technologies are delivered as software licenses or via SaaS and the cloud from our data centers, providing our customers with a secure and reliable environment operated by qualified SunGard personnel. These offerings allow customers to take advantage of our deep domain expertise without the upfront cost of licensing and IT infrastructure.

Our professional services offerings allow customers to install, optimize and integrate our software into their computing environment. We are currently investing to improve our global delivery capacity, further improving customers' adoption of our core technologies. Our BPaaS offerings typically provide back-office processing services to our customers where the process is deeply related to a SunGard application. The combination of SunGard's industry and application knowledge, coupled with our customers' desire to focus on their core competencies, is resulting in continued growth in these BPaaS offerings.

Our FS business offers software and technology services to a broad range of users, including asset managers, chief financial officers, compliance officers, custodians, fund administrators, insurers and reinsurers, market makers, plan administrators, registered investment advisors, treasurers, traders and wealth managers. FS is grouped into complementary solutions as follows:

Asset Management: We offer solutions that help institutional investors, hedge funds, private equity firms, fund administrators and securities transfer agents improve both investment decision-making and operational efficiency,

while managing risk and increasing transparency. Our solutions support every stage of the investment process, from research and portfolio management, to valuation, risk management, compliance, investment accounting, transfer agency and client reporting.

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Brokerage: Our brokerage solutions provide trade execution and network solutions to financial institutions, corporations and municipalities in North America, Europe and other global markets. Our trade execution and network solutions help both buy- and sell-side firms improve execution quality, decrease overall execution costs and address today's trade connectivity challenges.

Capital Markets: Our capital markets offerings help financial institutions to increase the efficiency, transparency and control of their trading operations, post-trade settlement, risk management, securities lending, tax processing, and regulatory compliance. The breadth of our offerings also facilitate advanced business intelligence and market data distribution based on our extensive market data access.

Corporate Liquidity: Our corporate liquidity solutions help chief financial officers and treasurers derive maximum value from working capital by increasing visibility to cash, reducing risk and improving communication and response time between a company's buyers, suppliers, banks and other stakeholders. Our end-to-end collaborative financial management framework helps bring together receivables, treasury and payments for a single view of cash and risk, and to optimize business processes for enhanced liquidity management.

Energy and Commodities. Our energy and commodities solutions help energy companies, hedge funds and financial services firms to compete efficiently in global energy and commodities markets by streamlining and integrating the trading, risk management and operations of physical commodities and their associated financial instruments.

Insurance: Our insurance offerings provide solutions for a variety of insurance lines, including life and health, annuities and pensions, property and casualty, reinsurance and asset management. Our software and services help support front office and back office functions including customer service, policy administration, actuarial calculations, and financial and investment accounting and reporting.

Wealth Management: We provide wealth management solutions that help banks, trust companies, brokerage firms, insurance firms, benefit administrators and independent advisors acquire, service and grow their client relationships. We provide solutions for client acquisition, transaction management, trust accounting and recordkeeping that can be deployed as stand-alone products or as part of an integrated wealth management platform.

Public Sector & Education

Public Sector & Education provides mission critical software and technology services to domestic governments at all levels and K-12 learning institutions.

Public Sector: Our public sector offerings are designed to meet the specialized needs of local, state and federal governments, public safety and justice agencies, utilities and public sector institutions, as well as nonprofits. These offerings include software and technology services supporting a range of specialized enterprise resource planning and administrative processes for functions such as accounting, human resources, payroll, utility billing, land management and managed IT services. Public safety and justice agencies use our solutions to manage emergency dispatch operations, citizen and incident records, mobile computing in the field, and the operation of courts and jails. Our e-Government solutions help local governments to leverage the Internet and wireless technologies to serve their constituents.

K-12 Education: We provide software solutions and related implementation and support services for K-12 school districts and private schools throughout the United States. Our software and technology services help school districts improve the efficiency of their operations and use Web-based technologies to serve their constituents. We offer a fully integrated suite of products for student information, learning management, special education, financial management

and human resource activities.

Product Development and Maintenance

Our global technology staff continually develops new products and enhances existing products to address the changing needs of our customers. We employ over 4,000 developers in a network of international

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development sites. Our ability to attract, motivate and retain these development resources is a key differentiator for us and ultimately a source of our organic growth. We are constantly rebalancing our development resources to develop the technologies that are most important to our customers, including such things as:

advanced user interfaces, increasingly based on HTML5 technology for browsers, tablets and mobile devices,

business intelligence and data analytics, leveraging the large volume of data available to us and providing our customers with the tools to improve their business, speed decision making and gain competitive advantage,

advanced proprietary risk and compliance engines, and

integration of cloud-based architectures into our products.

We are increasing our investment in these technologies in response to customer demand, and these investments further drive growth both domestically and internationally. We spend over \$400 million dollars annually in development and have been increasing our capitalization of this software as more new products reach technological feasibility and as development spending on our SaaS offerings increase. In 2014, 2013 and 2012, we spent approximately \$438, \$433 million and \$444 million, respectively, on software development and maintenance, of which we capitalized \$62 million, \$41 million and \$22 million, respectively. Total software development and maintenance, net of capitalized software, was 13%, 14% and 15% of total revenue in 2014, 2013 and 2012, respectively.

Sales and Marketing

We operate a global sales and distribution network, largely through a direct sales approach. Our sales team is comprised of direct quota-carrying sales professionals who are teamed with pre- and post-sales support to help ensure that our customers receive the best possible solutions for their business needs.

Our FS solutions are generally sold on a global basis with certain products adapted to specific geographic markets. The majority of our FS revenue is sourced from North America and Western Europe, where revenue from new and existing customers has been offset by customer attrition, often from decisions made during the financial crisis of 2008. Our world-class solutions coupled with our global sales team is generating strong and consistent growth in the emerging markets. The emerging markets include China, India, Southeast Asia, Middle East, Africa, Latin America and Eastern Europe.

Our PS&E solutions are marketed in North America to municipalities and school districts, primarily in the United States.

Brand and Intellectual Property

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 number of patents and patent applications pending as well as a few registrations of our copyrights. We will continue to apply for software and business method patents on a case-by-case basis and will monitor ongoing developments in the evolving software and business method patent field. See Risk Factors.

We own registered trademarks for the SunGard name and own or have applied for trademark registrations for many of our services and software products. Following the AS Split-Off, AS has the right to use the Sungard Availability Services name, which does not include the right to use the SunGard name or its derivatives.

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Competition

Because of the breadth and highly technical nature of our solutions, most of the areas in which we compete have a relatively small number of significant competitors. In our FS business, we compete with numerous software and services companies who generally provide point solutions to address specific customer needs. While many of these companies can compete in a particular sector of the financial services industry, we believe that none of them have the ability to compete against the entire spectrum of SunGard's solutions in the various sectors that we serve. In addition, few companies have the global reach that SunGard provides. To some degree, we also face competition from the internal IT resources of our customers and prospects. However, increased regulation is driving customers to use industry proven solutions such as those offered by SunGard. We believe that we compete effectively through our innovative solutions, dedicated resources, quality of service and breadth of offerings. In addition, we believe that our leadership, reputation and experience are important competitive advantages.

In our PS&E business, we compete with a variety of vendors depending upon customer characteristics. For example, different competitors serve educational institutions and government agencies of different sizes or types and in different states or geographic regions. Competitors in these businesses range from larger providers of generic enterprise resource planning systems to smaller providers of specialized applications and also include outsourcers and systems integrators as well as the internal IT resources of our customers and prospects. The key competitive factors in marketing public sector and K-12 systems are the accuracy and timeliness of processed information, 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 on each of these factors and that our leadership, reputation and experience in these businesses are important competitive advantages.

Employees

As of December 31, 2014, we had approximately 13,000 employees. 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 have been able to retain and attract highly qualified personnel (see ITEM 1A RISK FACTORS).

ITEM 1A. RISK FACTORS

Certain of the matters we discuss in this Report 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, estimates or anticipates, or similar expressions which concern our strategy, plans and 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. 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:

global economic and market conditions;

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

our high degree of debt-related leverage;

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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;

the market and credit risks associated with broker/dealer operations;

the ability to retain and attract customers and key personnel;

risks relating to the foreign countries where we transact business;

the integration and performance of acquired businesses;

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;

a material weakness in our internal controls;

unanticipated changes in our income tax provision or the enactment of new tax legislation, issuance of regulations or relevant judicial decisions; and

the AS Split-Off failing to qualify as a tax free transaction.

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 United States Securities and Exchange Commission (SEC), including this Report. 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.

Our high degree of debt-related 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, are at variable rates of interest;

restricting us from making 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.

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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 agreement and the indentures relating to our senior notes due 2018 and 2020 and senior subordinated notes due 2019. 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 2018 and 2020 and senior subordinated notes due 2019 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our 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, under certain circumstances, we are required to satisfy and maintain a specified financial ratio and other financial condition tests. Our ability to meet the financial ratio and tests can be affected by events beyond our control, and we may not be able to meet the ratio 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 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. If the lenders under the senior secured credit agreement accelerate the repayment of borrowings, we may not have sufficient assets to repay the senior secured credit facilities and 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 IT spending. In addition, customers may curtail or discontinue trading operations, delay or cancel IT projects, or seek to lower their costs by renegotiating vendor contracts. 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.

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Our business depends to a significant degree on the financial services industry, and a weakening of, or further consolidation in, or new regulations affecting, 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, including bankruptcies, 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, it could decide to consolidate on a non-SunGard system, which could have an adverse effect on our financial results.

To the extent newly adopted regulations negatively impact the business, operations or financial condition of our customers, our business and financial results could be adversely affected. We could be required to invest a significant amount of time and resources to comply with additional regulations or to modify the manner in which we provide products and services to our customers; and such regulations could limit how much we can charge for our services. We may not be able to update our existing products and services, or develop new ones at all or in a timely manner, to satisfy our customers' needs. Any of these events, if realized, could have a material adverse effect on our business and financial results.

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. If any 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 information systems processing environments may be subject to disruptions that could adversely affect our reputation and our business.

Our information systems processing environments maintain and process confidential data on behalf of our customers, some of which is critical to their business operations. For example, our capital markets systems maintain account and trading information for our customers and their clients, and our wealth management 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 or cyber security threats. If our processing environments 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 a number of our software solutions on a license

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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. Further, our customers' business models are shifting away from paying upfront license fees to paying periodic rental fees for services. 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 may not be able to respond adequately. If we do not successfully update and integrate our products and services, including our SaaS and cloud offerings, 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 and we may find it difficult or costly to, among other things:

update our products and services and to develop new products fast enough to meet our customers' needs;

make some features of our products and services work effectively and securely over the Internet;

integrate more of our FS solutions;

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

update our services to keep pace with advancements in hardware, software and telecommunications technology.

Some technological changes 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. In addition, rapid changes in our upfront license sales model could result in a prolonged downward trend in our high margin software license revenue.

Our securities brokerage operations are highly regulated and subject to risks that are not encountered in our other businesses.

Domestic and foreign regulatory and self-regulatory organizations, such as the SEC, the Financial Industry Regulatory Authority, and the (U.K.) Financial Services Authority can, among other things, fine, censure, issue cease-and-desist orders against, and suspend or expel a broker-dealer or its officers or employees for failure to comply with the many laws and regulations that govern brokerage activities. Such sanctions may arise out of currently-conducted activities or those conducted in prior periods. Our ability to comply with these laws and regulations is largely dependent on our establishment, maintenance, and enforcement of an effective brokerage compliance program. 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 may change, which could adversely affect our financial results.

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We are exposed to certain risks relating to the execution services provided by our brokerage operations to our customers and counterparties, which include other broker-dealers, active traders, hedge funds, asset managers, and other institutional and non-institutional clients. These risks include, but are not limited to, customers or counterparties failing to pay for or deliver securities, trading errors, the inability or failure to settle trades, and trade execution system failures. 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 may not be able to limit our liability for trading losses or failed trades even when we are not at fault. As a result, we may suffer losses that are disproportionately large compared to the relatively modest profit contributions of our brokerage operations.

If we fail to comply with government regulations in connection with our business or by 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 LBO 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.

If we fail to comply with any regulations applicable to our business, we may be exposed to unexpected liability and/or governmental proceedings, our customers may leave, our reputation may be tarnished, and there could be a material adverse effect on our business and financial results. In addition, the future enactment of more restrictive laws or rules on the federal or state level, or, with respect to our international operations, in foreign jurisdictions on the national, provincial, state or other level, could have an adverse impact on business and financial results.

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. Further, the markets in which we operate are highly competitive and we may not be able to compete effectively. 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. Revenue from our broker/dealer businesses is not subject to minimum or ongoing contractual commitments on the part of brokerage customers. 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.

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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.

A portion of our revenue is generated outside the United States, primarily from customers located in Europe. Over the past few years we have expanded our operations in certain emerging markets in Asia, Africa, Europe, the Middle East and South America. 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 or unfavorable 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 and potentially adverse foreign tax law changes;

significant adverse changes in foreign currency exchange rates;

longer accounts receivable cycles;

managing a geographically dispersed workforce; and

difficulties associated with repatriating cash in a tax-efficient manner.

In foreign countries, particularly in those with developing economies, certain business practices may exist that are prohibited by laws and regulations applicable to us, such as the U.S. Foreign Corrupt Practices Act and other anti-corruption laws. Although our policies and procedures require compliance with these laws and are designed to facilitate compliance with these laws, our employees, contractors and agents may take actions in violation of applicable laws or our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business and reputation.

Our acquisitions may not be successful and we may not be able to successfully integrate and manage acquired businesses.

Generally, we seek to acquire businesses that broaden our existing product lines and service offerings and expand our geographic reach. There can be no assurance that our acquisitions will be successful or that we will be able to identify suitable acquisition candidates and successfully complete acquisitions. In addition, we may finance any future acquisition with debt, which would increase our overall levels of indebtedness and related interest costs. If we are unable to successfully integrate and manage acquired businesses, then our business and financial results may suffer. It is possible that the businesses we have acquired and businesses that we acquire in

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the future may perform worse than expected, be subject to an adverse litigation outcome 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 the 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 (including assumed liabilities not fully indemnified by the seller) in connection with acquisitions.

We could lose revenue due to fiscal funding or termination for convenience clauses in certain customer contracts, especially in our PS and K-12 businesses.

Certain of our customer contracts, particularly those with governments 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. In addition, governments and school districts may require contract terms that differ from our standard terms. While we have not been materially affected by exercises of these clauses or other unusual terms 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.

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 the 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 our bondholders 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

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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.

We may be sued for violating the intellectual property rights of others.

The software industry is characterized by the existence of a large number of trade secrets, copyrights and the growing number of issued patents, as well as frequent litigation based on allegations of infringement or other violations of intellectual property rights. We may unknowingly violate the intellectual property rights of others. Some of our competitors or other third parties may have been more aggressive than us in applying for or obtaining patent rights for innovative proprietary technologies both in the United States and internationally. In addition, we use a limited amount of open source software in our products and may use more open source software in the future. Because open source software is developed by numerous independent parties over whom we exercise no supervision or control, allegations of infringement for using open source software are possible. Although we monitor our use and our suppliers' use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by United States or other courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products.

As a result of all of these factors, there can be no assurance that in the future third parties will not assert infringement claims against us 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 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.

While we do not believe we have a potential liability for damages or royalties from any known current legal proceedings or claims related to the infringement of patent or other intellectual property rights that would individually or in the aggregate materially adversely affect our financial condition and operating results, the results of such legal proceedings cannot be predicted with certainty. Should we fail to prevail in any of the matters related to infringement of patent or other intellectual property rights of others or should several of these matters be resolved against us in the same reporting period, it could have a material adverse effect on our business and financial results.

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

Most of our 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.

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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.

A material weakness in our internal controls could have a material adverse effect on us.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent fraud, our reputation and operating results could be harmed. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Further, the complexities of our quarter- and year-end closing processes increase the risk that a weakness in internal control over financial reporting may go undetected. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness in our internal control over financial reporting could adversely impact our ability to provide timely and accurate financial information. If we are unable to report financial information timely and accurately or to maintain effective disclosure controls and procedures, we could be subject to, among other things, regulatory or enforcement actions by the SEC, any one of which could adversely affect our business prospects.

Unanticipated changes in our income tax provision or the enactment of new tax legislation, issuance of regulations or relevant judicial decisions could affect our profitability or cash flow.

We are subject to income taxes in the United States and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. We regularly are under examination by tax authorities. Although we believe our income tax provision is reasonable, the final determination of our tax liability could be materially different from our historical income tax provisions, which could have a material effect on our financial position, results of operations or cash flows. In addition, tax-law amendments in the United States and other jurisdictions could significantly impact how United States multinational corporations are taxed. Although we cannot predict whether or in what form such legislation will pass, if enacted it could have a material adverse effect on our business and financial results.

Risks Related to the AS Split-Off

There could be significant liability for us if all or part of the AS Split-Off were determined to be taxable for U.S. federal or state income tax purposes.

We received opinions from outside tax counsel to the effect that the AS Split-Off should qualify for tax-free treatment as transactions described in Section 355 and related provisions of the Internal Revenue Code (the Code) as well as relevant state income tax authority. Notwithstanding this, the tax-free treatment is not free

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from doubt, and there is a risk that cannot be dismissed that the Internal Revenue Service (the Service), a state taxing authority or a court could conclude to the contrary that the separation of the Availability Services business from the Company, through internal spin-offs, certain related transactions and the exchange of a portion of shares of SunGard Capital Corp. II Preferred Stock for all of the shares of Sungard Availability Services Capital, Inc. (SpinCo) may not qualify as tax-free transactions. An opinion of tax counsel is not binding on the Service, state taxing authorities or any court and as a result there can be no assurance that a tax authority will not challenge the tax-free treatment of all or part of the AS Split-Off or that, if litigated, a court would not agree with the Service or a state taxing authority. Further, these tax opinions rely on certain facts, assumptions, representations, warranties and covenants from the Company, SpinCo and from some of our stockholders regarding the past and future conduct of the companies respective businesses, share ownership and other matters. If any of the facts, assumptions, representations, warranties and covenants on which the opinions rely is inaccurate or incomplete or not satisfied, the opinions may no longer be valid. Moreover, the Service or state taxing authority could determine on audit that the AS Split-Off is taxable if it determines that any of these facts, assumptions, representations, warranties or covenants are not correct or have been violated or if it disagrees with one or more conclusions in the opinions or for other reasons.

In addition, actions taken following the AS Split-Off, including certain 50 percent or greater changes by vote or value of our stock ownership or that of SpinCo, may cause the AS Split-Off to be taxable to the Company. If the AS Split-Off is determined to be taxable, the Company and possibly its stockholders could incur significant income tax liabilities. These tax liabilities could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Actions taken by SpinCo or its stockholders could cause the AS Split-Off to fail to qualify as a tax-free transaction, and SpinCo may be unable to fully indemnify us for the resulting significant tax liabilities.

Pursuant to the Tax Sharing and Disaffiliation Agreement that we entered into with SpinCo (Tax Sharing Agreement), SpinCo is required to indemnify us for certain taxes relating to the AS Split-Off that result from (i) any breach of the representations or the covenants made by SpinCo regarding the preservation of the intended tax-free treatment of the AS Split-Off, (ii) any action or omission that is inconsistent with the representations, statements, warranties and covenants provided to tax counsel in connection with their delivery of tax opinions to us with respect to the AS Split-Off, and (iii) any other action or omission that was likely to give rise to such taxes when taken, in each case, by SpinCo or any of its subsidiaries. Conversely, if any such taxes are the result of such a breach or certain other actions or omissions by the Company, we would be wholly responsible for such taxes. In addition, if any part of the AS Split-Off fails to qualify for the intended tax-free treatment for reasons other than those for which we or SpinCo would be wholly responsible pursuant to the provisions described above, SpinCo will be obligated to indemnify us for 23% of the liability for taxes imposed in respect of the AS Separation and we would bear the remainder of such taxes. If SpinCo is required to indemnify us for any of the foregoing reasons, SpinCo's indemnification liabilities could potentially exceed its net asset value and SpinCo may be unable to fully reimburse or indemnify us for our significant tax liabilities arising from the AS Split-Off as provided by the Tax Sharing Agreement.

We might not be able to engage in certain strategic transactions because we have agreed to certain restrictions to comply with U.S. federal income tax requirements for a tax-free split-off.

To preserve the intended tax-free treatment of the AS Split-Off, we must comply with restrictions under current U.S. federal income tax laws for split-offs such as (i) refraining from engaging in certain transactions that would result in a 50 percent or greater change by vote or by value in our stock ownership, (ii) continuing to own and manage our historic businesses and (iii) limiting sales or redemptions of our common stock. If these restrictions and certain others are not followed, the AS Split-Off could be taxable to SunGard and possibly SunGard's stockholders. These tax liabilities could have a material adverse effect on our business, financial condition, results of operations and cash

flows.

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In the Tax Sharing Agreement, we (i) represent that we have no plan or intention to take or fail to take any action that would be inconsistent with the representations, statements, warranties and covenants provided to tax counsel in connection with their delivery of opinions to us with respect to the AS Split-Off and related transactions and (ii) covenant that during the two-year period following the AS Split-Off, we will not, except in certain specified transactions, (a) sell, issue or redeem our equity securities (or those of certain of our subsidiaries) or (b) liquidate, merge or consolidate with another person or sell or dispose of a substantial portion of our assets (or those of certain of our subsidiaries). During this two-year period, we may take certain actions prohibited by these covenants if we provide SpinCo with a ruling from the Service or a favorable opinion of tax counsel or of a nationally recognized accounting firm, reasonably satisfactory to SpinCo, to the effect that these actions should not affect the tax-free nature of the AS Split-Off.

These restrictions could limit our strategic and operational flexibility, including our ability to make acquisitions using equity securities, finance our operations by issuing equity securities, repurchase our equity securities, raise money by selling assets or enter into business combination transactions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease space in many locations worldwide, primarily for data centers, sales offices, customer support offices and administrative offices. We also own some of our computer and office facilities. Our principal facilities include our leased financial systems application service provider centers in Voorhees, New Jersey; Burlington, Massachusetts; Hopkins, Minnesota; Salem, New Hampshire; Ridgely, New Jersey; and Wayne, Pennsylvania. 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. Information with respect to this item may be found in Note 17 of the Notes to Consolidated Financial Statements in this Report, which information is incorporated into this Item 3 by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANTS' 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 March 1, 2014, there were 376 holders of record of each of Class A common stock and Class L common stock of SCC, and there was one holder of record of common stock of SunGard.

See ITEM 7-LIQUIDITY AND CAPITAL RESOURCES COVENANT COMPLIANCE for a description of restrictions on our ability to pay dividends.

ITEM 6. SELECTED FINANCIAL DATA**SunGard Capital Corp.**

	2010	2011	2012	2013	2014
	<i>(in millions)</i>				
Income Statement Data ⁽¹⁾					
Revenue	\$ 2,909	\$ 2,921	\$ 2,808	\$ 2,761	\$ 2,809
Operating income (loss)	59	242	348	404	86
Income (loss) from continuing operations	(463)	(78)	(43)	45	(208)
Income (loss) from discontinued operations	(107)	(73)	(23)	17	(14)
Net Income (loss)	(570)	(151)	(66)	62	(222)
Cash Flow Data					
Cash flow from continuing operations	N/A ⁽²⁾	\$ 164	\$ 287	\$ 421	\$ 332
Cash flow from discontinued operations	N/A ⁽²⁾	514	(43)	324	33
Cash flow from operations	\$ 721	\$ 678	\$ 244	\$ 745	\$ 365
Balance Sheet Data					
Total assets	\$ 12,968	\$ 12,550	\$ 10,018	\$ 9,778	\$ 6,511
Total short-term and long-term debt	8,050	7,823	6,658	6,384	4,669
Equity	1,452	1,375	614	695	92

SunGard Capital Corp. II

	2010	2011	2012	2013	2014
	<i>(in millions)</i>				
Income Statement Data ⁽¹⁾					
Revenue	\$ 2,909	\$ 2,921	\$ 2,808	\$ 2,761	\$ 2,809
Operating income (loss)	59	242	348	405	86
Income (loss) from continuing operations	(463)	(78)	(43)	46	(208)
Income (loss) from discontinued operations	(107)	(73)	(23)	17	(14)

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Net Income (loss)	(570)	(151)	(66)	63	(222)
Cash Flow Data					
Cash flow from continuing operations	N/A ⁽²⁾	\$ 164	\$ 287	\$ 422	\$ 332
Cash flow from discontinued operations	N/A ⁽²⁾	514	(43)	324	33
Cash flow from operations	\$ 721	\$ 678	\$ 244	\$ 746	\$ 365
Balance Sheet Data					
Total assets	\$ 12,968	\$ 12,550	\$ 10,018	\$ 9,778	\$ 6,511
Total short-term and long-term debt	8,050	7,823	6,658	6,384	4,669
Equity	1,567	1,433	688	780	169

Table of Contents**SunGard Data Systems Inc.**

	2010	2011	2012	2013	2014
	<i>(in millions)</i>				
Income Statement Data ⁽¹⁾					
Revenue	\$ 2,909	\$ 2,921	\$ 2,808	\$ 2,761	\$ 2,809
Operating income (loss)	59	242	348	405	87
Income (loss) from continuing operations	(463)	(76)	(43)	46	(207)
Income (loss) from discontinued operations	(107)	(73)	(23)	17	(17)
Net Income (loss)	(570)	(149)	(66)	63	(224)
Cash Flow Data					
Cash flow from continuing operations	N/A ⁽²⁾	\$ 164	\$ 287	\$ 422	\$ 332
Cash flow from discontinued operations	N/A ⁽²⁾	514	(43)	324	33
Cash flow from operations	\$ 721	\$ 678	\$ 244	\$ 746	\$ 365
Balance Sheet Data					
Total assets	\$ 12,968	\$ 12,550	\$ 10,018	\$ 9,774	\$ 6,507
Total short-term and long-term debt	8,050	7,823	6,658	6,384	4,669
Stockholder s equity	1,607	1,461	716	821	205

(1) Included in the 2010 loss from continuing operations is a goodwill impairment charge of \$205 million and a loss on the extinguishment of debt of \$58 million, including tender and call premiums of \$39 million, associated with the early retirement of \$1.6 billion senior notes due 2013 and euro denominated term loans. Included in the 2010 loss from discontinued operations is a goodwill impairment charge of \$123 million and a loss on disposal of discontinued operations of \$94 million.

Included in the 2011 loss from continuing operations is a goodwill impairment charge of \$12 million related to prior-year period, which has been corrected in 2011, and an income tax benefit of \$48 million reflecting amortization of the deferred tax liability, which benefit would have been reflected in prior years in the statement of comprehensive income. Included in the 2011 income (loss) from discontinued operations is \$135 million of deferred tax expense related to the book-over-tax basis difference of a Higher Education (HE) subsidiary that was classified as held for sale at December 31, 2011, and a goodwill impairment charge of \$39 million.

Included in the 2012 loss from continuing operations is a loss on extinguishment of debt of \$82 million, including tender and call premiums of \$48 million, due primarily to the early extinguishments of the senior notes due 2015 and the senior subordinated notes due 2015, and the partial repayment of term loans in January and December 2012. Included in the 2012 income from discontinued operations are gains on the sale of discontinued operations of \$571 million primarily related to the sale of HE and a goodwill impairment charge of \$385 million. The AS business, which was split-off on March 31, 2014, and two small businesses within the FS segment, which were sold on January 31, 2014, are included in discontinued operations.

Included in the 2014 loss from continuing operations is a trade name impairment charge of \$339 million as a result of the split-off of AS and how the trade name is being used following the split-off, and a \$61 million loss on extinguishment of debt which includes (i) a \$36 million loss associated with the exchange of approximately \$425 million of senior notes issued by SunGard Availability Services Capital, Inc. for approximately \$389 million of 7.375% senior notes due 2018 issued by SunGard and (ii) the write-off of \$25 million of deferred financing fees

resulting from the repayment or retirement of debt during the first quarter of 2014.

See Notes 1, 3 and 5 of Notes to Consolidated Financial Statements.

- (2) The split of cash flow from continuing operations and cash flow from discontinued operations is not available for 2010 due to reclassifications of businesses into discontinued operations.

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

Our Company

SunGard is a global software company serving the financial services and the public sector and education industries. We offer a wide range of innovative software solutions, delivered as traditional software offerings or via Software as a Service (SaaS) and the cloud, and surround them with an extensive suite of services. These world-class systems, combined with our deep domain expertise and our steadfast attention to our customers' needs, position us well to compete successfully and to benefit from the growth trends in the markets we serve. Considering the breadth of our product portfolio and the depth of our capabilities, we are uniquely capable of supporting virtually every type of financial institution, including the largest and most complex financial customers in the world.

In 2014, the Company generated over \$2.8 billion of revenue, employing approximately 13,000 people, and serving over 15,000 customers. We are a leader in the industry and are consistently ranked in the top 10 companies in the FinTech 100 ranking of financial technology companies.

The last few years have been truly transformative for SunGard. Since 2011, we have sold our Higher Education business and sold or exited other small non-strategic or low-margin businesses. In addition, on March 31, 2014, we completed the split-off of the Availability Services business, resulting in two separate companies. SunGard is now a more focused and streamlined software company, with financial services at its core, augmented by a leading position in the public sector and the kindergarten through 12th grade (K-12) education marketplaces.

During the same period, we have embarked on an organic growth strategy which is fueled by product innovation, improved sales reach, superior delivery and support of our customers' mission critical applications. This allows us to integrate and build on our core technologies, surround them with services and support them on a global basis. As a result, customer retention has improved, new products have come to market and our sales investments have resulted in consistently improving sales results. Accelerated emerging markets growth reflects the geographic diversity and success of our investments. Finally, in the second half of 2014, we generated consistent growth, culminating in 5% constant currency growth in the fourth quarter of 2014. At the same time, our more focused approach has improved Adjusted EBITDA margins by 3 full percentage points since 2011.

Our customers' business environment is dynamic and increasingly more complicated. Across the industries that we serve, sophisticated risk management requirements and compliance with ever-changing regulations are adding cost and complexity to our customers' operations. At the same time, their shareholders are demanding improved efficiency and increased transparency. In this environment, our customers demand exceptional solutions and, with spending and resources under pressure, they are turning to a small number of trusted global technology companies to help make them successful. This plays to SunGard's strength, as our applications can lower cost, improve control and speed decision making—all of which helps improve our customers' profitability.

We are also expanding the reach of our products beyond our traditional software offerings to SaaS and the cloud. Our revenue growth is fueled by well-established SaaS offerings and global cloud delivery centers to host and support our applications. In some instances, we also perform business processing as a service (BPaaS), centered on our key technology, for our customers either individually or in a utility model.

Another key source of growth is our professional services organization, which offers technology consulting, product implementation and optimization to address customers' needs. These highly skilled resources are capable of integrating and extending SunGard products into a customer's computing infrastructure, speeding deployment and optimizing the software in their environment.

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Our Business Model

SunGard's business model is founded on software, which is surrounded by services, resulting in strong recurring revenue streams with attractive profit margins. At the heart of our business model is SunGard's proprietary intellectual property that is delivered both as traditional software licenses and also as SaaS offerings. Our license offerings have traditionally been run on our customer premises but are increasingly delivered from SunGard's cloud computing centers. In addition, we provide professional services and business processing services (collectively, "services").

We classify our revenue into three categories:

Software revenue

SaaS and Cloud revenue

Professional and Business Processing Services revenue

Our revenue streams are highly recurring as a result of long-running contracts and strong customer renewal rates for software maintenance, rentals, SaaS and Cloud. These offerings comprise over 85% of our Software, SaaS and Cloud revenue (or roughly 70% of our overall revenue stream). This high-margin revenue stream provides good visibility to future results and allows the company to manage spending and profit proactively. We expect these offerings to grow in the future.

Software Revenue: Our software revenue represents approximately 40% of our total revenue and is comprised of traditional software license fees, maintenance and support fees, and fees from the resale of third party software licenses. These software license fees include term licenses, perpetual licenses and rental fees for customers who would prefer a periodic fee instead of a larger up-front payment. Maintenance and support fees provide customers with periodic technology updates and interactive support related to our software. Approximately three-fourths of our software revenue is recurring due to our long-term maintenance and rental revenue streams and strong customer renewal rates.

The remainder of our Software revenue is generated from software license sales to new and existing customers. This is very high margin revenue which may fluctuate from quarter to quarter. As a result, the timing of these license sales in any given quarter can impact that quarter's revenue growth and profitability.

SaaS and Cloud Revenue: Our SaaS and Cloud offerings comprise approximately 38% of our total revenue. SaaS and Cloud offerings are delivered from SunGard data centers and provide customers with a secure and reliable environment operated by qualified SunGard personnel. These offerings allow customers to take advantage of SunGard's deep domain expertise while avoiding the upfront cost of licensing and IT infrastructure. SaaS and Cloud revenue also includes revenue from our proprietary trading algorithms and trade execution network.

These SaaS and Cloud offerings are generally sold on multi-year contracts and have historically generated high customer renewal rates. As such, they form a strong recurring revenue stream for our company. Consistent with industry trends, we expect SaaS and Cloud revenue to become a greater portion of our overall revenue going forward.

Professional and Business Processing Services Revenue: Professional and Business Processing Services revenue is approximately 22% of our total revenue.

Professional Services offerings allow customers to install, optimize and integrate SunGard's software into their computing environment. While this is not a recurring revenue stream, per se, it has generated a consistent revenue stream of \$500 million to \$525 million annually. The profit margin on this revenue stream is comparable to other professional services firms but lower than our software offerings. We are currently investing to improve our global delivery capacity, further improving customers' adoption of our core technologies, but this investment puts some short-term pressure on our professional services profit margins.

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Our BPaaS offerings typically provide back-office processing services to our customers where the process is deeply related to a SunGard application. The combination of our industry and application knowledge, coupled with our customers' desire to focus on their core competencies, is resulting in continued growth in these BPaaS offerings.

Geographic Operations

SunGard manages our operations in 4 major geographies around the world, generating over \$2.8 billion in revenue, as described below.

Region	Percent of Total Revenue
North America	64%
Europe	22%
Asia Pacific	10%
Middle East, Africa, Central and South America	4%

The established markets, comprised of the US, Western Europe, Japan and Australia generated 88% of our revenue in 2014. These large, mature markets include some of our largest customers and the most extensive use of our technologies. The emerging markets are comprised of China, India, Southeast Asia, the Middle East, Africa, Latin America and Eastern Europe. These markets are less mature, but much faster growing and customers in these regions have embraced SunGard's offerings as they compete on both a local and increasingly global basis. The emerging markets have grown consistently over time, and now comprise 12% of SunGard's overall revenue.

Similar to our revenue, SunGard's resources and facilities are also geographically dispersed. This provides better local customer support and also results in natural currency hedges such that currency movements that may impact revenue growth have less of an impact on profit growth.

Our Segments

We operate our company in two broad segments, Financial Systems and Public Sector & Education.

Financial Systems

Our Financial Systems (FS) business provides software and services to the breadth of the financial marketplace including capital markets (sell side) and asset management (buy side) customers. In addition, we provide specific offerings to address the needs of a broad range of customers, including insurance companies, corporate treasurers, wealth managers and leasing companies. Increasingly our core technology is being applied across the firms in the industry, providing greater consistency for our customers and improved operating leverage for SunGard. A brief description of our capabilities is included below.

Our Asset Management solutions address the needs of institutional investors, hedge funds, private equity, fund administrators and securities transfer agents. Our solutions support every stage of the investment process, from research and portfolio management, to valuation, risk management, compliance, investment accounting, transfer agency and client reporting.

Our Capital Markets offerings help financial institutions to increase the efficiency, transparency and control of their trading operations, post-trade settlement, risk management, securities lending, tax processing, and regulatory

compliance. The breadth of our offerings also facilitate advanced business intelligence and market data distribution based on our extensive market data access.

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Our Corporate Liquidity solutions help chief financial officers and treasurers derive maximum value from working capital by increasing visibility to cash, reducing risk and improving communication and response time between a company's buyers, suppliers, banks and other stakeholders.

Our Energy and Commodities solutions help energy companies, hedge funds and financial services firms to compete efficiently in global energy and commodities markets by streamlining and integrating the trading, risk management and operations of physical commodities and their associated financial instruments.

Our Insurance solutions provide solutions for a variety of insurance lines, including life and health, annuities and pensions, property and casualty, reinsurance and asset management. Our software and services help support front office and back office functions including customer service, policy administration and actuarial calculations, and financial and investment accounting and reporting.

Our Wealth Management solutions help banks, trust companies, brokerage firms, insurance firms, benefit administrators and independent advisors acquire, service and grow their client relationships. We provide solutions for client acquisition, transaction management, trust accounting and recordkeeping that can be deployed as stand-alone products or as part of an integrated wealth management platform.

Public Sector & Education

Our Public Sector & Education (PS&E) segment provides mission critical software and technology services to domestic governments at all levels and Kindergarten through 12th grade (K-12) educational institutions.

Our public sector offerings include software and technology services supporting a range of specialized enterprise resource planning and administrative processes for functions such as accounting, human resources, payroll, utility billing, land management and managed IT services. Public safety and justice agencies use our solutions to manage emergency dispatch operations, citizen and incident records, mobile computing in the field, and the operation of courts and jails. Our e-Government solutions help local governments to leverage the Internet and wireless technologies to serve their constituents.

Our K-12 Education offerings provide software solutions and related implementation and support services for K-12 school districts and private schools throughout the United States. Our software and technology services help school districts improve the efficiency of their operations and use Web-based technologies to serve their constituents. We offer a fully integrated suite of products for student information, learning management, special education, financial management and human resource activities.

Results of Operations:

We evaluate our performance using both U.S. GAAP (accounting principles generally accepted in the United States) and non-GAAP measures. Our primary non-GAAP measure is Adjusted EBITDA (defined below), whose corresponding GAAP measure is operating income.

We believe Adjusted EBITDA is an effective tool to measure our operating performance because it excludes non-cash items and certain variable charges. We use Adjusted EBITDA extensively to measure both SunGard and its reportable segments within the Company and also to report our results to our board of directors. We use a similar measure, as defined in our senior secured credit agreement, for purposes of computing our debt covenants.

While Adjusted EBITDA is useful for analysis purposes, it should not be considered as an alternative to our reported GAAP results. Also, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

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Adjusted EBITDA is defined as operating income excluding the following items:

depreciation;

amortization of acquisition-related intangible assets;

trade name and goodwill impairment charges;

severance and facility closure charges;

stock compensation;

management fees; and

certain other costs.

We are supplementing certain GAAP measures with comparable measures on a constant-currency basis, a non-GAAP measure, which exclude the impacts from changes in currency translation. We believe providing explanations of the year to year variances in our results on a constant-currency basis is meaningful for assessing how our underlying businesses have performed due to the fact that we have international operations that are material to our overall operations. As a result, total revenues and expenses are affected by changes in the U.S. Dollar against international currencies. To present our constant currency year over year changes, current period results for entities reporting in currencies other than U.S. Dollars are converted to U.S. Dollars at the average exchange rate used in the prior year period rather than the actual exchange rates in effect during the current year period. In each of the tables below, we present the percent change based on actual, unrounded results in reported currency and in constant currency.

SunGard is a wholly owned subsidiary of SunGard Holdco LLC, which is wholly owned by SunGard Holding Corp., which is wholly owned by SunGard Capital Corp. II (SCCII), which is a subsidiary of SunGard Capital Corp (SCC). SCCII and SCC are collectively referred to as the Parent Companies. All four of these companies were formed for the purpose of facilitating the LBO and are collectively referred to as the Holding Companies. The use of we , our , us a similar terms is meant to refer to each of SCC, SCCII and SunGard.

The following discussion reflects the results of operations and financial condition of SunGard, which are materially the same as the results of operations and financial condition of SCC and SCCII. Therefore, the discussions provided are applicable to each of SunGard, SCC and SCCII, unless otherwise noted. Also, 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 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.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

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On a GAAP basis, the Company generated revenue of \$2.81 billion, operating income of \$87 million, and a loss from continuing operations of \$207 million for the year ended December 31, 2014. The loss from continuing operations for the year ended December 31, 2014 was primarily driven by the \$339 million non-cash trade name impairment charge (see Goodwill and Trade Name impairment tests discussion below).

	(in millions)		Year over Year Change	
	2013	2014	Reported	Constant Currency
Total Revenue	\$ 2,761	\$ 2,809	2%	2%

Total SunGard revenue for 2014 was \$2.8 billion, up 2% from 2013. Our revenue growth was due to market reception of our new technology, continued growth in the emerging markets, and growth in the broad array of

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services that surround and support our software. In 2014 and 2013, Software revenue was approximately 40% and 41%, respectively, of total revenue, SaaS and Cloud revenue was approximately 38% of total revenue and professional services and BPaaS revenue was approximately 22% and 21%, respectively, of total revenue.

Software revenue was relatively unchanged in 2014. Software revenue benefitted from strong customer acceptance of our latest technology but this was offset by reductions in certain legacy products, particularly in the established markets. Conversely, emerging market revenue grew in 2014 and accelerated in the second half of the year, driven by stronger maintenance revenue growth and a number of new customer wins.

SaaS and Cloud revenue increased approximately 2% in 2014 from the prior year. This growth was driven by increased volumes from our existing customers and increased adoption of our SaaS and Cloud offerings, supported by our new global delivery centers. The 2014 year to year growth rate was negatively impacted by approximately 1 point of growth due to the sale of a \$12 million customer bankruptcy claim in the third quarter of 2013.

Professional services and BPaaS revenue increased approximately 5% in 2014 from the prior year primarily due to broad-based growth in professional services as customers increased spending to implement our software and integrate it into their operating environments.

Total Operating Margin:

	(in millions)		Year over Year Change	
	2013	2014	Reported	Constant Currency
Revenue	\$ 2,761	\$ 2,809	2%	2%
Operating income	405	87	(79)%	(78)%
Operating income margin	14.7%	3.1%	(11.6)pts	(11.5)pts

Our total operating income margin was 3.1% for 2014, compared to 14.7% for 2013. Total operating income margin declined 11.5 points on a constant-currency basis, driven by:

a \$339 million trade name impairment in 2014 reduced that period's operating income margin by 12.0 points. There was no trade name impairment in the prior year period;

a \$12 million increase in spending primarily related to one-time expenses related to the AS Split-Off, which decreased the operating income margin by 0.4 points; and

a \$46 million decrease in amortization of acquisition-related intangible assets, which increased our margin by 1.6 points, primarily due to software intangible assets that were fully amortized during 2013 and early 2014.

The following items also impacted our 2014 operating income margin, as mentioned in our segment discussions below:

investments we are making in sales, delivery and support resources in each of our segments;

the increasing mix of professional services in our revenue stream; and

the sale of a \$12 million customer bankruptcy claim in 2013.

Table of Contents*Adjusted EBITDA:*

The following table reconciles operating income to Adjusted EBITDA:

	(in millions)		Year over Year Change	
	2013	2014	Reported	Constant Currency
Revenue	\$ 2,761	\$ 2,809	2%	2%
Reconciliation of Operating income to Adjusted EBITDA:				
Operating income	\$ 405	\$ 87	(79)%	(78)%
Depreciation ⁽¹⁾	104	107	4%	4%
Amortization of acquisition-related intangible assets	182	136	(25)%	(25)%
Trade name impairment		339	n/a	n/a
Severance and facility closure costs	17	27	58%	62%
Stock compensation	39	42	8%	8%
Management fees	8	9	9%	9%
Other costs	11	18	62%	63%
Adjusted EBITDA	\$ 766	\$ 765	%	%

Adjusted EBITDA margin 27.7% 27.2% (0.5)pts (0.4)pts

Our 2014 Adjusted EBITDA was \$765 million, down \$1 million from the prior year period. Our reported Adjusted EBITDA margin decreased 0.5 points to 27.2% in 2014. On a constant-currency basis, our Adjusted EBITDA margin decreased 0.4 points, driven primarily by continued investments in sales resources, increased delivery capacity to support our SaaS and Cloud offerings and skilled resources to support our professional services growth. Also, impacting the year to year decline in margin was the sale of a customer bankruptcy claim in the prior year.

Segment discussion:

Our business is organized into two segments, Financial Systems and Public Sector & Education. Corporate spending is held above the segments as noted in the table below. Corporate spending includes support functions such as corporate finance, human resources, and legal. The following table details Adjusted EBITDA for each of our two reportable segments and corporate spending to reconcile to total SunGard Adjusted EBITDA. Following the table is a discussion of each of our reportable segments.

	Adjusted EBITDA (in millions)	
	2013	2014
FS	\$ 746	\$ 742
PS&E	66	68
Corporate	(46)	(45)

Total \$ 766 \$ 765

Financial Systems segment:

	(in millions)		Year over Year Change	
	2013	2014	Reported	Constant Currency
Total Revenue	\$ 2,551	\$ 2,592	2%	2%
Adjusted EBITDA	746	742	(1)%	%
Adjusted EBITDA margin	29.2%	28.6%	(0.6)pts	(0.5)pts

Table of Contents*Revenue:*

In 2014, FS revenue grew 2% driven by SaaS and Cloud, and professional services. These results reflect the reception of our new technology offerings, particularly within our asset management, wealth management and treasury solutions, continued growth in the emerging markets, and growth in a broad array of services that surround and support our software. In 2014 and 2013, software revenue was approximately 38% and 39%, respectively, of FS revenue, SaaS and Cloud revenue was approximately 40% of FS revenue and services revenue was approximately 22% and 21%, respectively, of FS revenue.

Software revenue was relatively unchanged in 2014. Software revenue grew as a result of our new technology offerings which resulted in revenue growth in both new and existing customers. These increases however, were offset by reductions in certain legacy products.

SaaS and Cloud revenue increased approximately 1% in 2014 from the prior year. This growth was driven by increased volumes from our existing customers and increased adoption of our SaaS and Cloud offerings, supported by our new global delivery centers. The 2014 year to year growth rate was negatively impacted by approximately 1 point of growth due to the sale of a \$12 million customer bankruptcy claim in the third quarter of 2013.

Professional services and BPaaS revenue increased approximately 4% in 2014 from the prior year primarily due to broad-based growth in professional services tied to our new technology offerings and increasing global reach, as customers increased their spending to implement our software and integrate it into their operating environments.

Adjusted EBITDA:

FS Adjusted EBITDA was \$742 million, a decrease of 1% from the prior year period. On a constant currency basis, FS adjusted EBITDA was essentially unchanged. The FS Adjusted EBITDA margin was 28.6% and 29.2% for 2014 and 2013, respectively.

The FS Adjusted EBITDA margin decrease was driven by continued investments in sales resources, increased delivery capacity to support our SaaS and Cloud offerings and skilled resources to support our professional services growth. Also impacting the year to year margin decline was the sale of a customer bankruptcy claim in the prior year as previously discussed.

Public Sector & Education segment:

	(in millions)		Year over Year Change	
	2013	2014	Reported	Constant Currency
Total Revenue	\$ 210	\$ 217	4%	4%
Adjusted EBITDA	66	68	2%	2%
Adjusted EBITDA margin	31.6%	31.1%	(0.5)pts	(0.5)pts

Revenue:

In 2014, PS&E revenue grew 4% principally driven by growth in services and accompanied by more modest increases in Software, SaaS and Cloud revenues. In 2014 and 2013, software revenue represented approximately 64% and 65%, respectively, of total PS&E revenue, SaaS and Cloud revenue was approximately 17% of segment revenue, and

services revenue was approximately 19% and 18%, respectively, of PS&E revenue.

Software revenue increased 1% primarily due to annual software maintenance increases, sales to new customers and add-on sales to existing customers. SaaS and Cloud revenue increased 6% primarily due to the full

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year impact from new sales in 2013, add-on cloud services to the existing customer base and annual rate increases. Professional services revenue increased 12% due to new software license sales and product upgrades which generate related implementation and integration services.

Adjusted EBITDA:

PS&E Adjusted EBITDA was \$68 million, an increase of 2% from 2013. On a constant currency basis, PS&E Adjusted EBITDA also increased 2%. The PS&E Adjusted EBITDA margin was 31.1% and 31.6% for 2014 and 2013, respectively. The 0.5% margin decrease was driven by investments in services and development resources to accelerate customer delivery and drive future revenue growth, partially offset by increased capitalization of software development costs.

Corporate Spending:

	(in millions)		Year over Year Change	
	2013	2014	Reported	Constant Currency
Corporate Spending	\$ 46	\$ 45	(4)%	(4)%

The \$1 million decrease in corporate spending was primarily due to lower employee costs and reduced external services expenses. Corporate spending includes supporting functions such as corporate finance, human resources, and legal.

Non-operating Expenses:*Interest expense and amortization of deferred financing costs:*

Our interest expense was \$291 million and \$326 million for 2014 and 2013, respectively. The \$35 million decrease in interest expense was due primarily to (i) approximately \$10 million of non-capitalizable expenses associated with the March 2013 refinancing of SunGard's senior secured credit facility and (ii) lower outstanding debt resulting from (a) the repayment of the senior secured notes due 2014 on January 15, 2014, (b) the term loan repayments in 2013 and 2014 and (c) the partial repayment of the receivables facility term loan on January 31, 2014. Interest expense related to the debt repaid or retired on March 31, 2014 in connection with the AS Split-Off was allocated to discontinued operations.

Loss on extinguishment of debt:

Loss on extinguishment of debt was \$61 million and \$6 million for 2014 and 2013, respectively. The loss on extinguishment of debt in 2014 includes (i) a \$36 million loss associated with the exchange of approximately \$425 million of senior notes issued by Sungard Availability Services, Inc. (SpinCo) (SpinCo Notes) for approximately \$389 million of senior notes due 2018 issued by SunGard (SunGard Notes) in connection with the AS Split-Off and (ii) the write-off of \$25 million of deferred financing fees resulting from the repayment or retirement of debt during the first quarter (see Notes 1 and 5 of Notes to Consolidated Financial Statements). Loss on extinguishment of debt in 2013 primarily includes the write-off of deferred financing fees associated with the March 2013 refinancing of \$2.2 billion of term loans.

Income (loss) from discontinued operations, net of tax:

Income (loss) from discontinued operations, net of tax, was a loss of \$17 million in 2014 and was income of \$17 million in 2013. On March 31, 2014, we completed the AS Split-Off. Income (loss) from discontinued operations reflects the results of our AS business and two smaller FS subsidiaries that were sold in January 2014. Included in loss from discontinued operations in 2014 is a gain on the sale of two FS businesses of approximately \$22 million. Also included in loss from discontinued operations in 2014 is sponsor management fee expense of approximately \$15 million payable under the Management Agreement for services related to the issuance of the \$1.025 billion AS term loan and \$425 million of SpinCo Notes in connection with the AS Split-Off.

Table of Contents*Income (loss) attributable to the non-controlling interest:*

For SCC, accreted dividends on SCCII's cumulative preferred stock were \$174 million and \$169 million for 2014 and 2013, respectively. The increase in accreted dividends is due to compounding of the cumulative, undeclared dividend, partially offset by the decrease in outstanding preferred shares resulting from the share exchange as part of the AS Split-Off.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

The table below presents SunGard's financial results including Adjusted EBITDA, and a reconciliation of Adjusted EBITDA to GAAP operating income, which we believe to be a comparable measure.

	(in millions)		Year over Year Change	
	2012	2013	Reported	Constant Currency
Total Revenue	\$ 2,808	\$ 2,761	(2)%	(2)%

In 2013 and 2012, software revenue was approximately 41% and 40%, respectively, of total revenue, SaaS and Cloud revenue was approximately 38% and 39%, respectively, of total revenue and services revenue was approximately 21% of total revenue.

Software revenue was relatively unchanged in 2013. In 2013, our license revenue increased due to new license sales of certain products, particularly in the emerging markets. In addition, software revenue benefitted from an acquisition in the fourth quarter of 2012. These increases in software revenue were offset by reductions in certain legacy products.

SaaS and Cloud revenue decreased approximately 3% in 2013 from the prior year due primarily to customer attrition, some of which was the result of customer bankruptcies and mergers. The decreases in SaaS and Cloud revenue were partially offset by the sale of a \$12 million customer bankruptcy claim.

Professional services and BPaaS revenue decreased approximately 4% in 2013 from the prior year due primarily to a reduction in professional services reflecting the completion of certain large projects in 2012, partially offset by the recognition of significant customer milestones in the fourth quarter of 2013.

Total Operating Margin:

	(in millions)		Year over Year Change	
	2012	2013	Reported	Constant Currency
Revenue	\$ 2,808	\$ 2,761	(2)%	(2)%
Operating income	348	405	16%	12%
Operating income margin	12.4%	14.7%	2.3pts	1.7pts

Our total operating income margin was 14.7% for 2013. Our total operating income margin on a constant-currency basis was 14.1% for 2013 compared to 12.4% for 2012. The more significant factors impacting the 1.7 margin point improvement were:

a 1.3 margin point improvement from the decrease in amortization of acquisition-related intangible assets due to a portion of software and customer base intangible assets that became fully amortized in 2012;

a 0.9 margin point increase from the \$25 million decrease in severance and facility closure costs; and

a 0.6 margin point decrease from the combined \$16 million increase in (i) depreciation due to increases in capitalized software and (ii) stock compensation expense.

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The following items also impacted our 2013 operating income margin, as further discussed below:

lower development spending as we rationalized our overall spending and reoriented that spending to the faster growing market segments; and

various reductions in spending related to our cross-company lean savings.

Adjusted EBITDA:

	(in millions)		Year over Year Change	
	2012	2013	Reported	Constant Currency
Revenue	\$ 2,808	\$ 2,761	(2)%	(2)%
Reconciliation of Operating Income to Adjusted EBITDA:				
Operating income	\$ 348	\$ 405	16%	12%
Depreciation ⁽¹⁾	96	104	9%	9%
Amortization of acquisition-related intangible assets	217	182	(17)%	(17)%
Severance and facility closure costs	42	17	(59)%	(59)%
Stock compensation	31	39	24%	24%
Management fees	9	8	(10)%	(10)%
Other costs	6	11	92%	93%
Adjusted EBITDA	\$ 749	\$ 766	2%	%
Adjusted EBITDA margin	26.7%	27.7%	1.1 pts	0.5 pts

Our Adjusted EBITDA margin increased 1.1 points to 27.7% in 2013. The increase was driven by the expansion of the FS Adjusted EBITDA margin reflecting improvements in our administrative and development spending. The improvements in our development spending are the result of initiatives to exit certain slower growing products and shift our investments to new technologies. This shift also led to an increase in capitalized software, further reducing in period development spending. In addition, currency fluctuation improved margin by 0.6 points, primarily within our expense base, as the U.S. dollar strengthened against the Indian Rupee and the Pound Sterling.

Segment discussion:

The following table details the Adjusted EBITDA for each of our two reportable segments and corporate spending to reconcile total SunGard Adjusted EBITDA. Following the table below is a discussion of each of our reportable segments.

Adjusted EBITDA
(in millions)

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	2012	2013
FS	\$ 727	\$ 746
PS&E	66	66
Corporate	(44)	(46)
Total	\$ 749	\$ 766

Table of Contents**Financial Systems segment:**

	(in millions)		Year over Year Change	
	2012	2013	Reported	Constant Currency
Total Revenue	\$ 2,604	\$ 2,551	(2)%	(2)%
Adjusted EBITDA	727	746	3%	1%
Adjusted EBITDA margin	27.9%	29.2%	1.3 pts	0.8 pts

Revenue:

In 2013, FS revenue declined 2% from 2012 due to customer attrition and a reduction in professional services, following completion of key 2012 milestones. In 2013 and 2012, software revenue was approximately 39% and 38%, respectively, of FS revenue, SaaS and Cloud revenue was approximately 40% of FS revenue and services revenue was approximately 21% and 22%, respectively, of FS revenue.

Software revenue was relatively unchanged in 2013. In 2013, our license revenue increased due to new license sales of certain products, particularly in the emerging markets. In addition, software revenue benefitted from an acquisition in the fourth quarter of 2012. These increases in software revenue were offset by reductions in certain legacy products.

SaaS and Cloud revenue decreased approximately 3% in 2013 from the prior year primarily due to customer attrition, some of which was the result of customer bankruptcies and mergers. The decreases in SaaS and Cloud revenue were partially offset by the sale of a \$12 million customer bankruptcy claim.

Professional services and BPaaS revenue decreased approximately 4% in 2013 from the prior year due primarily to a reduction in professional services reflecting the completion of certain large projects in 2012, partially offset by the recognition of significant customer milestones in the fourth quarter of 2013.

Adjusted EBITDA:

The FS Adjusted EBITDA margin improved 1.3 points to 29.2% in 2013. Of the margin expansion, 0.5 points was due to currency fluctuation, primarily within our expense base as the U.S. dollar strengthened against the Indian Rupee and the Pound Sterling. The remaining 0.8 points of margin expansion was driven by two factors.

First, we continually execute a lean program designed to identify cost savings and productivity improvements. This program serves to improve our profitability and help fund our sales and development investments. For example, in 2013, we continued to reduce our administrative spending, improving margins by 1.0 point, which was driven by this program and the impact of our 2012 restructuring actions.

Second, we have realized a 0.6 margin point expansion through improvements in our development initiatives by exiting certain slower growing products or markets and shifting our investments to address the faster growing products. This also resulted in increased capitalized software, further reducing in-period development expense.

Public Sector & Education segment:

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	(in millions)		Year over Year Change	
	2012	2013	Reported	Constant Currency
Total Revenue	\$ 204	\$ 210	3%	3%
Adjusted EBITDA	66	66	%	%
Adjusted EBITDA margin	32.5%	31.6%	(0.9)pts	(0.9)pts

Table of Contents*Revenue:*

PS&E revenue grew 3% in 2013 reflecting strong acceptance of our Public Sector solutions. In 2013 and 2012, software revenue was approximately 65% and 66%, respectively, of PS&E revenue, SaaS and Cloud revenue was approximately 17% and 16%, respectively, of PS&E revenue and professional services revenue was approximately 18% of PS&E revenue.

The strong acceptance of our solutions drove a 2% increase in software revenue, a 7% increase in SaaS and Cloud revenue and a 3% increase in professional services revenue. We have been investing in professional resources to accelerate customer start dates and build customer satisfaction associated with these services.

Adjusted EBITDA:

The PS&E Adjusted EBITDA margin declined 0.9 points to 31.6% in 2013. The 0.9 point reduction is driven by incentive payments on higher sales and an increase in professional service resources to reduce our backlog and accelerate customer start dates.

Corporate Spending:

	(in millions)		Year over Year Change	
	2012	2013	Reported	Constant Currency
Corporate Spending	\$ 44	\$ 46	6%	6%

The \$2 million increase in corporate spending was primarily due to higher employee costs.

Non-operating Expenses:*Interest expense and amortization of deferred financing costs:*

Since April 2012, we refinanced approximately \$3.2 billion of debt, taking advantage of the attractive debt markets, and repaid certain higher-cost senior notes. As a result, interest expense decreased to \$326 million in 2013 from \$360 million in 2012.

Loss on extinguishment of debt:

The refinancing and repayments of debt mentioned above resulted in a loss on extinguishment of debt of \$6 million in 2013 and \$82 million in 2012. The loss on extinguishment of debt in 2013 includes the loss related to the March 2013 refinance of \$2.2 billion of term loans. The loss on extinguishment of debt in 2012 is driven by the early extinguishment of the senior notes due 2015, the senior subordinated notes due 2015 and the partial repayment of term loans in January and December 2012.

Income (loss) from discontinued operations, net of tax:

Income (loss) from discontinued operations, net of tax, was \$17 million in 2013 and \$(23) million in 2012. On March 31, 2014, we completed the AS Split-Off. During 2012, we sold our Higher Education business (HE) and a FS subsidiary. Also during 2012, we recorded a combined gain on the sales of two businesses of \$571 million and a

goodwill impairment charge of \$385 million. See Note 3 of Notes to Consolidated Financial Statements for further information.

Income (loss) attributable to the non-controlling interest:

Income (loss) attributable to the non-controlling interest represents accreted dividends on SCCII's cumulative preferred stock. The amount of accreted dividends was \$169 million and \$251 million in 2013 and 2012, respectively. The decrease in accreted dividends is due to the declaration and payment of a dividend in December 2012, partially offset by compounding.

Table of Contents**Income Taxes:**

The effective income tax rates for 2014 and 2013 were a benefit of 22% and a provision of 36%, respectively. Our effective tax rate fluctuates from period to period due to changes in the mix of income or losses in jurisdictions with a wide range of tax rates, permanent differences between U.S. GAAP and local tax laws, certain one-time items including tax rate changes, and adjustments related to the repatriation of earnings from foreign subsidiaries, net of a U.S. foreign tax credit. For 2014, the benefit for income taxes includes a benefit of \$138 million related to the impairment of the SunGard trade name, an expense of \$48 million due to changes in certain state deferred tax rates, which are primarily driven by the change in the legal entity ownership of the SunGard trade name caused by the AS Split-Off, and an expense of \$7 million to increase the valuation allowance on state net operating losses driven primarily by the change in management's judgment of their realizability due to the AS Split-Off. Also in the fourth quarter of 2014, after weighing the positive and negative evidence required, we recorded a valuation allowance of \$3 million against certain losses generated in France. These losses were larger than anticipated and exceeded the scheduled reversal of deferred tax liabilities. The tax benefit of the French losses totals \$24 million at December 31, 2014 and have an indefinite carryforward period. In evaluating the realizability of our deferred tax assets, we considered the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and for losses that do not have an indefinite carryforward period, tax planning strategies. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced or as the reversal of certain deferred tax liabilities continues.

The provision for income taxes includes an additional provision of \$3 million compared to the provision included in the Form 8-K filed with the U.S. Securities and Exchange Commission on February 5, 2015. We decided to record this adjustment even though it was not material to the Consolidated Balance Sheet as of December 31, 2014 or the Consolidated Statement of Comprehensive Income (Loss) for the year ended December 31, 2014.

The effective income tax rates for 2013 and 2012 were a provision of 36% and a benefit of 53%, respectively. Our effective tax rate fluctuates from period to period due to changes in the mix of income or losses in jurisdictions with a wide range of tax rates, permanent differences between U.S. GAAP and local tax laws, certain one-time items including tax rate changes, and adjustments related to the repatriation of earnings of foreign subsidiaries, net of a U.S. foreign tax credit.

Liquidity and Capital Resources:

At December 31, 2013 and 2014, our liquidity, a non-GAAP measure, was as follows (in Millions):

	(Pre AS Split-Off) December 31, 2013	(Post AS Split-Off) March 31, 2014	December 31, 2014
Cash and cash equivalents	\$ 706	\$ 355	\$ 447
Capacity: Revolving Credit Facility	831	591	592
Capacity: Receivables Facility	46	15	39
Total Liquidity	\$ 1,583	\$ 961	\$ 1,078

Total liquidity represents the amount of cash and readily available sources of cash. We use total liquidity to ensure we have an adequate amount of funds to meet our obligations.

Included in cash and cash equivalents at December 31, 2014 was \$95 million invested in money market accounts in the United States immediately available for debt service. Approximately \$196 million of cash and cash equivalents at December 31, 2014 was held by our wholly-owned non-U.S. subsidiaries, which is available

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to fund operations and strategic investment opportunities abroad. Also, approximately \$43 million of cash and cash equivalents at December 31, 2014 relates to our broker/dealer operations, some of which is not readily available for general corporate use.

Our cash flows in the U.S. continue to be sufficient to fund our current domestic operations and obligations, including financing activities such as debt service. In addition, we have several options available to improve liquidity in the short term in the U.S., including repatriation of funds from foreign subsidiaries, borrowing funds under our revolving credit facilities, and calling intercompany loans that are in place with certain foreign subsidiaries. To the extent we elect to repatriate the earnings of our foreign subsidiaries, additional cash taxes could be payable. See Note 12 of Notes to Consolidated Financial Statements for the year ended December 31, 2014 for more detail.

Cash flow from operations:

Cash flow from continuing operations was \$332 million in 2014, a decrease of \$90 million versus 2013. In late 2012, we instituted a series of working capital and tax initiatives, which generated a significant increase in 2013 cash flow from continuing operations. The decrease in 2014 cash flow from continuing operations was due to:

a \$91 million reduction in cash sourced from working capital, reflecting our strong 2013 performance in A/R collections and reduced Days Sales Outstanding (DSO). In addition, 2014 cash flow from working capital was reduced due to higher incentive payments resulting from the strong performance in 2013; and

a \$19 million decrease in cash earned from operations, primarily due to lower operating performance and transaction costs associated with the AS Split-Off; partially offset by

\$12 million less in interest payments;

\$8 million less in income tax payments, net of refunds.

Cash flow from continuing operations in 2013 was \$422, an increase of \$135 million versus 2012. The improvement in cash flow from operations in 2012 was primarily due to:

\$83 million of lower interest payments in 2013;

a \$37 million increase in cash earned from operations;

a \$15 million decrease in income tax payments in 2013; and

a net increase in cash flow from deferred revenue and accounts receivable reflecting our strong 2013 performance in A/R collections and reduced DSO offset primarily by a one-time benefit in 2012 from exiting

certain lower margin services in our Broker/Dealer business which required significant cash reserves.

Cash flow from investing activities:

Net cash used by continuing operations in investing activities is primarily comprised of cash paid for property and equipment and capitalized software development, as well as cash paid to acquire businesses. In 2014, cash paid by continuing operations for investing activities increased by \$35 million to \$147 million primarily due to a \$21 million increase in capitalized software development costs related to our product investments, as well as investments to increase hosting and cloud capacity on a global basis. We have been shifting our investment strategy to new product development initiatives to address the faster growing products, services and geographic markets. The remainder of the increase was primarily due to \$7 million of purchased software and a \$4 million increase generally tied to computer and telecommunications equipment.

In 2013, cash paid by continuing operations for investing activities decreased by \$24 million to \$112 million primarily due to a \$38 million decrease in cash paid for businesses acquired and a \$5 million decrease in capital

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expenditures generally tied to computer and telecommunications equipment, partially offset by a \$19 million increase in capitalized software development costs. We have been very selective in our acquisition strategy, spending \$2 million in 2013 for one acquisition and \$40 million in 2012 for two acquisitions.

Cash flow from financing activities:

In 2014, net cash from continuing operations used in financing activities was \$1.355 billion, which included the following:

repayment of \$1.005 billion of term loans as part of the AS Split-Off;

repayment of the \$250 million senior secured notes;

repayment of \$60 million of our receivables facility term loan; and

repayment of the \$7 million tranche A term loan maturing in February 2014.

In 2013, net cash from continuing operations used in financing activities was \$325 million, which included the following:

refinancing \$2.2 billion of term loans;

additional repayments of \$224 million of term loans; and

repayment of \$50 million of our receivables facility revolver.

In 2012, net cash from continuing operations used in financing activities was \$2.04 billion, which included the following:

repayment of \$1.22 billion of term loans resulting from the sale of HE;

\$1.02 billion to repurchase and redeem \$1 billion of senior subordinated notes due 2015;

a \$724 million preferred stock dividend;

\$527 million to redeem the 10.625% senior notes due 2015; and

\$217 million of optional prepayments of term loans;
partially offset by

the issuance of \$1 billion of senior subordinated notes due 2019; and

a \$720 million term loan to fund the dividend.

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As a result of the LBO (August 11, 2005), we are highly leveraged. Total debt outstanding as of December 31, 2013, March 31, 2014 (post AS Split-Off) and December 31, 2014 consists of the following (in millions):

	(pre AS Split-Off) December 31, 2013	(post AS Split-Off) March 31, 2014	December 31, 2014	Change from Mar. 31 to Dec. 31
Senior Secured Credit Facilities:				
Secured revolving credit facility due March 8, 2018	\$	\$	\$	\$
Tranche A due February 28, 2014, effective interest rate of 1.92%	7			
Tranche C due February 28, 2017, effective interest rate of 4.41%, 4.44% and 4.44%	427	400	400	
Tranche D due January 31, 2020, effective interest rate of 4.50%	713			
Tranche E due March 8, 2020, effective interest rate of 4.10%, 4.31% and 4.31%	2,183	1,918	1,918	
Total Senior Secured Credit Facilities	3,330	2,318	2,318	
Senior Secured Notes due 2014 at 4.875%	250			
Senior Notes due 2018 at 7.375%	900	511	511	
Senior Notes due 2020 at 7.625%	700	700	700	
Senior Subordinated Notes due 2019 at 6.625%	1,000	1,000	1,000	
Secured accounts receivable facility, at 3.67%, 3.66% and 3.16%	200	140	140	
Other, primarily foreign bank debt and capital lease obligations	4	2		(2)
Debt continuing operations	6,384	4,671	4,669	(2)
Debt discontinued operations	8			
Total debt	\$ 6,392	\$ 4,671	\$ 4,669	\$ (2)
Leverage Metric per Credit Agreement	4.56x			