SYNERGETICS USA INC
Form 4
October 15, 2015

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
Cardinale Lawrence C

(Last) (First) (Middle)

C/O SYNERGETICS USA, INC., 3845 CORPORATE CENTRE DRIVE

(Street)

O'FALLON, MO 63368

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SYNERGETICS USA INC [SURG]

3. Date of Earliest Transaction (Month/Day/Year)
10/15/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/15/2015		U		44,243	D	(1)	0	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock option (right to buy)	$ 3.77 (2)	10/15/2015		D			10,000	(3)	11/30/2016	Common Stock	10,000	
Stock option (right to buy)	$ 2.95	10/15/2015		D			10,000	(3)	12/07/2017	Common Stock	10,000	
Stock option (right to buy)	$ 1.37	10/15/2015		D			10,000	(3)	12/17/2019	Common Stock	10,000	
Stock option (right to buy)	$ 4.43	10/15/2015		D			10,000	(3)	12/16/2020	Common Stock	10,000	
Stock option (right to buy)	$ 6.21	10/15/2015		D			10,000	(3)	12/14/2021	Common Stock	10,000	
Stock option (right to buy)	$ 4.52	10/15/2015		D			10,000	(3)	12/14/2022	Common Stock	10,000	
Stock option (right to buy)	$ 3.46	10/15/2015		D			10,000	(3)	12/13/2023	Common Stock	10,000	
Stock option (right to buy)	$ 3.7	10/15/2015		D			10,000	(3)	12/12/2024	Common Stock	10,000	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Cardinale Lawrence C C/O SYNERGETICS USA, INC. 3845 CORPORATE CENTRE DRIVE O'FALLON, MO 63368	X			

Signatures

/s/ Lawrence C. Cardinale	10/15/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares tendered for an offer price of $6.50 per share in cash (the "Cash Consideration") plus one non-transferable contractual contingent value right per share (each, a "CVR"), which represents the right to receive up to two contingent payments, if any, of up to $1.00 in the aggregate, net to the holder in cash, upon the achievement of certain specified milestones within an agreed upon time period (less any applicable withholding taxes and without interest), pursuant to the tender offer consummated on September 16, 2015 according to the terms of the Agreement and Plan of Merger (the "Merger" Agreement"), dated as of September 1, 2015, by and among Valeant Pharmaceuticals International, Blue Subsidiary Corp. and Synergetics USA, Inc.

(2) The Form 4 reporting the award of the stock option on November 30, 2006 reported an exercise price of $3.89 in error.

(3) Pursuant to the terms of the Merger Agreement, on October 15, 2015, each option outstanding immediately prior to the Effective Time (as defined in the Merger Agreement) was canceled in exchange for (i) a cash payment equal to the product of (A) the number of shares underlying the option and (B) the difference between the Cash Consideration and the exercise price of the option; and (ii) one CVR for each share underlying the option, in each case without interest and subject to any applicable tax withholding.

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2014	26,628
2015	22,057
2016	15,912
2017	14,616
Thereafter	36,049
Total	$136,297

Purchase Commitments with Suppliers

Purchase obligations represent payment due in future periods in respect of commitments to the Company's various data vendors as well as commitments to purchase goods and services such as telecommunication and computer maintenance services. These purchase commitments are agreements that are enforceable and legally binding on FactSet and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. As of August 31, 2012, the Company had total purchase commitments of $52.2 million. There were no material changes in FactSet’s purchase commitments during the first three months of fiscal 2013.

Contingencies

Legal Matters

FactSet accrues non income-tax liabilities for contingencies when management believes that a loss is probable and the amounts can be reasonably estimated, while contingent gains are recognized only when realized. The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business, including intellectual property litigation. Based on currently available information at November 30, 2012, FactSet’s management does not believe that the ultimate outcome of these unresolved matters against the Company, individually or in the aggregate, is likely to have a material adverse effect on the Company’s consolidated financial position, its results of operations or its cash flows.

Income Taxes

Uncertain income tax positions are accounted for in accordance with applicable accounting guidance (see Note 15). FactSet is currently under audit by multiple tax authorities. The Company has reserved for potential adjustments to its provision for income taxes that may result from examinations by, or any negotiated agreements with, these tax authorities, and the Company believes that the final outcome of these examinations or agreements will not have a material effect on its results of operations. If events occur which indicate payment of these amounts is unnecessary, the reversal of the liabilities would result in the recognition of tax benefits in the period FactSet determines the liabilities are no longer necessary. If the Company’s estimates of the federal, state, and foreign income tax liabilities are less than the ultimate assessment, a further charge to expense would result.

Indemnifications

As permitted or required under Delaware law and to the maximum extent allowable under that law, FactSet has certain obligations to indemnify its current and former officers and directors for certain events or occurrences while the officer or director is, or was serving, at FactSet’s request in such capacity. These indemnification obligations are valid as long as the director or officer acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The maximum potential amount of future payments FactSet could be required to make under these indemnification obligations is unlimited; however, FactSet has a director and officer insurance policy that should mitigate FactSet's exposure and enables FactSet to recover a portion of any future amounts paid. The Company believes the estimated fair value of these indemnification obligations is not material.

Concentrations of Credit Risk
Cash equivalents - Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. These deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate its credit risks by spreading such risks across multiple counterparties and monitoring the risk profiles of these counterparties.

Accounts Receivable - Accounts receivable are unsecured and are derived from revenues earned from clients located around the globe. FactSet performs ongoing credit evaluations of its clients and does not require collateral from its clients. The Company maintains reserves for potential write-offs and these losses have historically been within expectations. No single client represented 10% or more of FactSet’s total revenues in any period presented. At November 30, 2012, the Company’s largest individual client accounted for 2% of total subscriptions and annual subscriptions from the ten largest clients did not surpass 16% of total client subscriptions, consistent with August 31, 2012. At November 30, 2012 and August 31, 2012, the receivable reserve was $1.7 and $1.8 million, respectively.

Derivative Instruments - As a result of the use of derivative instruments, the Company is exposed to counterparty credit risk. FactSet has incorporated counterparty risk into the fair value of its derivative assets and its own credit risk into the value of the Company’s derivative liabilities. FactSet calculates credit risk from observable data related to credit default swaps as quoted by publicly available information. Counterparty risk is represented by CDS spreads related to the senior secured debt of the respective bank with whom FactSet has executed these derivative transactions. Because CDS spread information is not available for FactSet, the Company’s credit risk is determined based on using a simple average of CDS spreads for peer companies as determined by FactSet. To mitigate counterparty credit risk, FactSet enters into contracts with large financial institutions and regularly reviews its credit exposure balances as well as the creditworthiness of the counterparties.

17. SUBSEQUENT EVENT

On January 1, 2013, the U.S. Congress passed the American Taxpayer Relief Act of 2012 (the “ACT”), which President Obama signed into law on January 2, 2013. The ACT averts the immediate tax concerns with the fiscal cliff and delays the mandatory U.S. government spending cuts known as sequestration. While the ACT did not change corporate tax rates, it did reenact the U.S. Federal R&D tax credit, which had previously expired on December 31, 2011. The reenactment of the credit was retroactive to January 1, 2012 and extends through the end of the 2013 calendar year. Prior to the reenactment of the tax credit, FactSet had not been permitted to factor it into its effective tax rate because it was not currently enacted tax law. The reenactment is expected to result in discrete income tax benefits between $4.5 million and $5.0 million during the second quarter of fiscal 2013.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in the following sections:

- Executive Overview
- Results of Operations
- Foreign Currency
- Liquidity
- Capital Resources
- Off-Balance Sheet Arrangements
- Share Repurchase Program
- Contractual Obligations
- Dividends
- Significant Accounting Policies and Critical Accounting Estimates
- New Accounting Pronouncements
- Market Trends
- Forward-Looking Factors

Executive Overview

FactSet is a provider of integrated financial information and analytical applications to the global investment community. We combine content regarding companies and securities from major markets all over the globe into a single online platform of information and analytics. By consolidating content from hundreds of databases with powerful analytics, FactSet supports the investment process from initial research to published results for buy and sell-side professionals. These professionals include portfolio managers, research and performance analysts, risk managers, marketing professionals, sell-side equity research professionals, investment bankers and fixed income professionals. Our applications provide users access to company analysis, multicompany comparisons, industry analysis, company screening, portfolio analysis, predictive risk measurements, alphatesting, portfolio optimization and simulation, real-time news and quotes and tools to value and analyze fixed income securities and portfolios. With Microsoft Office integration, wireless access and customizable options, we offer a complete financial workflow solution. Our revenues are derived from month-to-month subscriptions to services, databases and financial applications. We generate 81% of our revenues from investment management clients and the remainder is from investment banking firms who perform M&A advisory work and equity research.

As of November 30, 2012, we employed 6,020 employees, an increase of 285 over the past three months and up 10% from a year ago, when excluding the acquired StreetAccount workforce. Of these employees, 1,871 were located in the U.S., 617 in Europe and 3,532 in Asia Pacific. Approximately 54% of employees are involved with content collection, 24% work in product development, software and systems engineering, another 18% conduct sales and consulting services and the remaining 4% provide administrative support.

Against the backdrop of a difficult selling environment, particularly for the investment banking firms, FactSet again delivered double-digit EPS growth during the first three months of fiscal 2013, making this quarter the tenth consecutive quarter of double-digit EPS growth. We continued our long track record of reinvesting back into the Company to position FactSet to be even stronger in the future as evidenced by our 10% headcount growth over the last 12 months. First quarter results continued to show healthy growth as we are one of only three U.S. companies that have reported 16 straight years of positive earnings growth. Specific to our user base in equity research and M&A, trading volumes and global M&A deal volumes are both down approximately 20% in the past 12 months. However, this has not translated into significant headcount reductions at our clients because operations at the investment banks have been already running relatively lean. Given the strengths of our services and our relative small market share, we believe FactSet has been growing faster than the larger players in our industry. More importantly, the investment management business environment is more constructive than the investment banking side and we believe that profitability of the large investment management firms is improving. All of our key metrics continued to improve as diluted EPS, ASV, revenues, users and net client count all rose in the past three months and we generated over $44.5 million in free cash flow.

Results of Operations

For an understanding of the significant factors that influenced our performance during the three months ended November 30, 2012 and 2011, respectively, the following discussion should be read in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements presented in this Quarterly Report on Form 10-Q.

	Three Months Ended November 30,			
(in thousands, except per share data)	2012	2011	Change	
Revenues	$211,085	$196,448	7.5	%
Cost of services	73,586	66,833	10.1	%
Selling, general and administrative	66,414	62,862	5.7	%
Operating income	71,085	66,753	6.5	%
Net income	$49,769	$45,544	9.3	%
Diluted earnings per common share	$1.11	$0.99	12.1	%
Diluted weighted average common shares	44,984	46,103		

Revenues

Revenues for the three months ended November 30, 2012 were $211.1 million, up 7.5% compared to the prior year. During the first quarter of fiscal 2013, users increased by 105 to 49,605, we added 9 net new clients and annual subscriptions rose by $5 million. Our revenue growth drivers during fiscal 2013 were successes in selling our wealth management workflow solution, the continued use of our advanced applications such as Portfolio Analysis ("PA"), growth in our Market Metrics business, incremental revenue from the acquisition of StreetAccount in June 2012, growth in the number of clients and users of FactSet and an annual client retention rate that is greater than 95% of ASV and 92% in terms of clients.

Wealth Management Workflow Solution

We were pleased to close some successful sales at a few wealth management clients during the first quarter of fiscal 2013. Over the past 18 months, we have been working on configuring a solution for the wealth management workflow. We believe we have a great offering for that segment of the market and some of our newest clients and users have recognized it. This business line has added clients and workstations during the past three months.

Clients continue to license our advanced applications

Our Portfolio Analytics suite of products, including our Fixed Income in PA product, continued to be a source of revenue growth. PA 2.0, Portfolio Publisher, SPAR (Style Performance and Risk Analysis), Fixed Income in PA, benchmarks and indices, and our risk optimizer products have been among the many value-added applications that continue to be in demand by existing clients as well as an attractive selling point for new clients. In the past three months, our risk optimizer products were in demand as clients search for ways to understand and manage market uncertainty and volatility. Both PA users and clients have increased by double digits compared to a year ago as this suite is comprehensive and includes the applications for portfolio attribution, risk, quantitative analysis, portfolio publishing and returns based, style analysis. Our strength in portfolio analysis and our ability to effectively manage the complex requirements of our clients is a marked differentiator for FactSet.

Growth in the Market Metrics business

Our Market Metrics business continues to be a strong contributor on a relative basis to our growth. Our Market Metrics local market share suite of products, which was introduced last year, continues to perform well. This suite includes mutual fund, variable annuity and life insurance analytical products and applications for wholesalers that have enabled senior management to understand the value and penetration of their own products in local markets in greater detail than they have been able to examine before. In addition, Market Metrics has begun to expand into the European marketplace.

Acquisition of StreetAccount
On June 29, 2012, we acquired StreetAccount to complement our news offering with distilled and crucial market moving information for buy- and sell-side institutions. During the first quarter of fiscal 2013, StreetAccount added $2.7 million of revenue to our operations.

Growth in the number of clients and users of FactSet

For the twelfth consecutive quarter, we experienced net new client growth, which is a testament to our business model against a backdrop of economic volatility. The total number of FactSet clients as of November 30, 2012 was 2,401, a net increase of 9 clients during the past three months and brings the net new client growth total to 130 over the past 12 months (excluding the StreetAccount acquisition). The addition of new clients is important to FactSet as we anticipate that it lays the groundwork for future additional services, consistent with our strategy of increasing sales of workstations, applications and content at existing clients. At November 30, 2012, our largest individual client accounted for 2% of total subscriptions and annual subscriptions from the ten largest clients did not surpass 16% of total client subscriptions, consistent with August 31, 2012 and November 30, 2011.

At November 30, 2012, there were 49,605 professionals using FactSet, an increase of 2,705 users from a year ago. User expansion from investment management clients were partially offset by user reductions among our global banking and brokerage clients, but the overall user count still increased by 105 on a net basis during the first quarter of fiscal 2013. In the past 12 months, our investment management client base has added approximately 1,840 users while our investment banking clients have grown by 865 users. Investment banking clients continue to be cautious as they closely reviewed and scrutinized their user populations and right-sized their populations based on how they perceive market opportunities.

Annual client retention rates

Consistent with last year, our annual client retention rate was greater than 95% of ASV at November 30, 2012. As a percentage of actual clients, the annual retention rate was 92% at November 30, 2012, also consistent with last year. We believe these statistics, which have remained consistent since last year despite a volatile global economy, demonstrate that retention of existing business and ASV is stable and accelerating net ASV growth is more a function of the rate of new sales.

Revenues by Geographic Region

	Three Months Ended November 30,					
(in thousands)	2012		2011		Change	
U.S.	$143,941		$134,477		7.0	%
% of revenues	68.2	%	68.5	%		
Europe	$51,631		$48,105		7.3	%
Asia Pacific	15,513		13,866		11.9	%
International	$67,144		$61,971		8.3	%
% of revenues	31.8	%	31.5	%		
Consolidated	$211,085		$196,448		7.5	%

Revenues from our U.S. segment increased 7.0% to $143.9 million during the three months ended November 30, 2012 compared to the same period a year ago. Our first quarter fiscal 2013 revenue growth rate in the U.S. of 7.0% reflects growth in our Market Metrics suite of products, $2.7 million of incremental revenues from the acquisition of StreetAccount in June 2012, an increase in the number of PA users, sales of our wealth management solution and the annual price increase for our U.S. investment management clients implemented in January 2012, which drove revenues up by approximately $2.6 million.

International revenues in the first quarter of fiscal 2013 were $67.1 million, an increase of 8.3% from $62.0 million in the prior year period. European revenues advanced 7.3% to $51.6 million due to offering a broader selection of global proprietary content, an annual price increase for the majority of our non-U.S. investment management clients in March 2012, increases in user and client counts and clients licensing our advanced applications. Foreign currency movements had no impact on European revenues during the first quarter of fiscal 2013. Asia Pacific revenues grew to

$15.5 million, up 11.9% from a year ago. The foreign currency impact attributable to the change in the value of the Japanese Yen compared to the U.S. dollar decreased revenues by $0.1 million during the first quarter of fiscal 2013. Holding currencies constant, Asia Pacific revenue growth year over year was 12.7%, primarily due to growth in our global content offering, the expansion of our real-time news and quotes that services the needs of a global investor, our ability to sell additional services to existing clients and new client and user growth over the last 12 months. In March 2012, we issued our annual price increase for the majority of our non-U.S. investment management clients resulting in incremental revenue of $0.7 million during the first quarter of fiscal 2013. Revenues from our international operations accounted for 31.8% of our consolidated revenues during the first quarter of fiscal 2013, up from 31.5% in the year ago quarter.

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Annual Subscription Value ("ASV")

At November 30, 2012, ASV was $847 million, up 7.0% organically over the prior year. ASV at a given point in time represents the forward-looking expected revenues for the next 12 months from all subscription services being supplied to our clients. With proper notice to us, our clients are able to add to, delete portions of, or terminate service at any time. ASV from our U.S. operations was $578 million, up $34 million from a year ago, excluding acquired StreetAccount ASV of $11.4 million. ASV from international operations increased from $249 million at November 30, 2011 to $269 million at November 30, 2012, representing 32% of our Company-wide total. The percentage of our total ASV derived from buy-side clients increased from 80% a year ago to 81% at November 30, 2012. The $5 million organic increase in ASV during the first quarter of fiscal 2013 was driven by growth in our Market Metrics business, increased sales of our PA suite of products, broad-based growth within our U.S. geographic segment, deployment of our wealth management solution and additional users and clients partially offset by reductions in ASV within Europe and Asia brought about by economic volatility and uncertainty in those regions.

Operating Expenses

	Three Months Ended November 30,					
(in thousands)	2012		2011		Change	
Cost of services	$73,586		$66,833		10.1	%
Selling, general and administrative ("SG&A")	66,414		62,862		5.7	%
Total operating expenses	$140,000		$129,695		7.9	%
Operating income	$71,085		$66,753		6.5	%
Operating Margin	33.7	%*	34.0	%		

* StreetAccount was acquired on June 29, 2012 and as such, its operations were included in operating expenses for the three months ended November 30, 2012. The decrease in the operating margin from 34.0% a year ago to 33.7% in the current year quarter was primarily due to StreetAccount, which negatively impacted our margin by 40 basis points (due to higher employee compensation costs and the amortization of acquired intangibles).

Cost of Services

For the three months ended November 30, 2012, cost of services increased 10.1% to $73.6 million as compared to $66.8 million in the same period a year ago. Cost of services expressed as a percentage of revenues was 34.9% during the first quarter of fiscal 2013, an increase of 90 basis points over the prior year due to higher compensation expense associated with new hires in software engineering, consulting and content and additional StreetAccount expenses partially offset by lower computer-related expenses.

Employee compensation, including stock-based compensation, expressed as a percentage of revenues, increased 125 basis points for the three months ended November 30, 2012 compared to the same period a year ago due to the continued expansion of our proprietary content collection operations, bringing in new classes of engineers and consultants and salary increases year over year. Excluding $2.0 million of compensation attributable to the StreetAccount workforce, the increase in employee compensation was 30 basis points. Over the last 12 months we have increased our headcount at our facilities in India and the Philippines by 361. At November 30, 2012, approximately 54% of our employees were involved with content collection. In addition to the hiring of employees at our primary content collection sites, we grew by approximately 175 net new engineering and product development employees and 105 net new consultants in the past year, as we continue to improve our applications and service our existing client base. These headcount increases exclude the 49 employees acquired from StreetAccount in June 2012. Approximately 75% of our new employees hired in the past three months joined our content collection operations and the rest joined our sales and consulting teams. This current year quarter, our global headcount surpassed the 6,000 mark for the first time, as we grew to 6,020 employees at November 30, 2012, a net increase of 285 employees. Year over year our headcount has increased 10%, excluding the acquired StreetAccount workforce. StreetAccount expenses increased cost of services by approximately 95 basis points due to compensation paid to the acquired workforce, stock-based compensation expense from equity based awards granted to the new employees and the amortization of acquired intangible assets.

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Lower computer-related expenses partially offset higher compensation and StreetAccount expenses during the first quarter of fiscal 2013 compared to the same period a year ago. Computer-related expenses, including depreciation and computer maintenance costs, decreased 20 basis points in the first quarter of fiscal 2012 as compared to a year ago due to the continued use of fully depreciated servers and the transition to more efficient and cost-effective servers in our data centers. The cost per server and related maintenance continues to decline as we have become more efficient in our data centers.

Selling, General and Administrative

For the three months ended November 30, 2012, SG&A expenses increased 5.7% to $66.4 million from $62.9 million in the same period a year ago. However, SG&A expenses, expressed as a percentage of revenues, decreased 50 basis points to 31.5% during the first quarter of fiscal 2013 due to lower employee compensation, including stock-based compensation, partially offset by foreign currency hedging losses and higher occupancy expenses.

Employee compensation, including stock-based compensation, expressed as a percentage of revenues, decreased 180 basis points in the first quarter of fiscal 2013 compared to the same period in fiscal 2012 primarily due to decreased variable compensation and lower stock option expense. The deceleration of ASV growth in the past 12 months resulted in estimating that none of the performance-based stock options granted in November 2011 and 2010 would vest as compared to 20% vesting a year ago. This change in estimate resulted in no stock-based compensation expense recorded in the current year quarter compared to $0.3 million of expense a year ago. In addition, the majority of our hiring during the past 12 months has been within our software engineering, content collection and product development teams, which are included within cost of services. As such, SG&A employee compensation, expressed as a percentage of revenues, has declined compared to the growth in cost of services.

Partially offsetting the decrease in SG&A expenses were realized losses recorded in the first quarter of fiscal 2013 from our Indian Rupee hedges. During fiscal 2012, we entered into foreign currency forward contracts to partially hedge our Indian Rupee exposure through the end of the first quarter of fiscal 2015. Since the date on which we entered into the forward contracts, the U.S. dollar has strengthened against the Indian Rupee, and as a result, we recorded a loss on derivatives of $0.6 million in SG&A during the first quarter of fiscal 2013. This loss compares to a gain of $0.5 million recorded in SG&A a year ago as a result of previously entered into foreign currency forward contracts to hedge our Euro currency risk. Occupancy costs, including rent and depreciation of furniture and fixtures, expressed as a percentage of revenues, increased 15 basis points due to the expansion of our office in Manila as well as our moves to new larger space in Hong Kong and Dubai.

Operating Income and Operating Margin

Operating income advanced 6.5% to $71.1 million for the three months ended November 30, 2012 compared to the prior year period. Our operating margin during the first quarter of fiscal 2013 was 33.7%, down 30 basis points from 34.0% a year ago due to higher compensation expense within cost of services, foreign currency hedging losses in the current year fiscal quarter and higher occupancy expenses partially offset by lower SG&A employee compensation and benefits from utilizing fully depreciated computer equipment.

Operating Income by Segment

	Three Months Ended November 30,		
(in thousands)	2012	2011	Change
U.S.	$39,600	$36,436	8.7 %
Europe	24,723	23,781	4.0 %
Asia Pacific	6,762	6,536	3.5 %
Consolidated	$71,085	$66,753	

Our operating segments are aligned with how we, including our chief operating decision maker, manage the business and the demographic markets in which we serve. Our internal financial reporting structure is based on three operating segments; U.S., Europe and Asia Pacific, which we believe helps us better manage the business and view the markets we serve. Sales, consulting, data collection and software engineering are the primary functional groups within each segment. Each segment records compensation, including stock-based compensation, data collection costs, amortization of intangible assets, depreciation of furniture and fixtures, amortization of leasehold improvements, communication costs, professional fees, rent expense, travel, marketing, office and other direct expenses. Expenditures associated with the Company’s data centers and corporate headquarters charges are recorded by the U.S. segment and are not allocated to the other segments.

Operating income from our U.S. business increased 8.7% to $39.6 million during the three months ended November 30, 2012 compared to $36.4 million in the same period a year ago. The increase in operating income was primarily due to $9.5 million of incremental revenues and lower computer-related expenses partially offset by higher employee compensation within cost of services and an increase in costs from the acquisition of StreetAccount. The U.S. revenue growth was driven by our Market Metrics suite of products, $2.7 million of incremental revenues from the acquisition of StreetAccount in June 2012, an increase in the number of PA users, sales of our wealth management solution and the annual price increase for our U.S. investment management clients implemented in January 2012, which drove revenues up by approximately $2.6 million. Computer-related expenses decreased due to the transition to more efficient and cost-effective servers in our data centers in addition to the continued use of fully depreciated servers. Excluding the acquired StreetAccount workforce, U.S. employee headcount increased 6.1% over the prior year leading to higher employee compensation costs in fiscal 2013.

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European operating income increased 4.0% to $24.7 million during the three months ended November 30, 2012 compared to the same period a year ago. The increase in European operating income is due to a $3.5 million increase in revenues, lower employee variable compensation expense and a decrease in amortization expense as previously acquired intangible assets become fully amortized partially offset by an increase in occupancy costs. European revenues advanced to $51.6 million due to offering a broader selection of global proprietary content, an annual price increase for the majority of our non-U.S. investment management clients in March 2012, increases in user and client counts and clients licensing our advanced applications.

Asia Pacific operating income increased 3.5% to $6.8 million during the three months ended November 30, 2012 compared to $6.5 million in the same period a year ago. The increase in Asia Pacific operating income was from $1.6 million of incremental revenues year over year partially offset by higher employee compensation and occupancy costs. Asia Pacific revenue growth year over year was primarily due to growth in our global content offering, the expansion of our real-time news and quotes that services the needs of a global investor, our ability to sell additional services to existing clients and new client and user growth over the last 12 months. Excluding employees hired in our content collection operations in India and the Philippines, our Asia Pacific employee headcount increased 28.3% over the year ago quarter, driving employee compensation higher and thus reducing operating income.

Other Income, Income Taxes, Net Income and Diluted Earnings per Share

	Three Months Ended November 30,					
(in thousands, except per share data)	2012		2011		Change	
Other income	$428		$277		54.5	%
Provision for income taxes	$21,744		$21,486		1.2	%
Net income	$49,769		$45,544		9.3	%
Diluted earnings per common share	$1.11		$0.99		12.1	%
Effective tax rate	30.4	%	32.1	%		

Other Income

Other income rose by $0.15 million during the first quarter of fiscal 2013 as compared to the year ago quarter due to incremental interest income from investments. In October 2011, we purchased approximately $15 million of short-term certificates of deposit with maturities of less than one year, which resulted in interest income of $0.3 million during the current quarter as compared to $0.1 million a year ago. Excluding our returns on the short-term certificates of deposit, our average annualized return on cash and cash equivalents decreased from 41 basis points during fiscal 2012 to 28 basis points in fiscal 2013. At no time during fiscal 2013 and 2012 did a component of our cash, cash equivalents and investments portfolio experience a decline in value due to a ratings change, default or increase in counterparty credit risk

Income Taxes

For the three months ended November 30, 2012, the provision for income taxes increased 1.2% to $21.7 million as compared to the same period a year ago due to a 6.7% increase in income before income taxes year over year partially offset by income tax benefits of $1.3 million from the decision to repatriate cash from the UK to the U.S. In the first quarter of fiscal 2013 we decided to repatriate cash from our wholly owned UK subsidiary. This distribution was completed in early January 2013 and resulted in an income tax benefit of $1.3 million during the three months ended November 30, 2012 since the foreign tax credits associated with the distribution were greater than then tax due on the distribution of the foreign earnings. The first quarter fiscal 2013 effective tax rate before the discrete item of $1.3 million was 32.2% or 10 basis points higher than the 2012 first quarter effective tax rate. The expiration of the U.S. Federal R&D tax credit on December 31, 2011 negatively impacted the fiscal 2013 first quarter effective tax rate by 180 basis points compared to 130 basis points in the year ago first quarter.

Net Income and Earnings per Share

Net income rose 9.3% to $49.8 million and diluted earnings per share increased 12.1% to $1.11 for the three months ended November 30, 2012. Drivers of net income and diluted earnings per share growth were higher levels of revenue, decreased computer-related expenses, lower compensation within SG&A, income tax benefits of $1.3 million or $0.03 per diluted share from the repatriation of foreign income to the U.S. and a reduction in the diluted weighted average shares outstanding partially offset by higher compensation within cost of services, incremental expenses from the StreetAccount acquisition and a higher effective tax rate before the discrete item due to the expiration of the U.S. Federal R&D tax credit on December 31, 2011.

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Foreign Currency

Certain wholly owned subsidiaries within the European and Asia Pacific segments operate under a functional currency different from the U.S. dollar. The financial statements of these foreign subsidiaries are translated into U.S. dollars using period-end rates of exchange for assets and liabilities and average rates for the period for revenues and expenses. Translation gains and losses that arise from translating assets, liabilities, revenues and expenses of foreign operations are recorded in accumulated other comprehensive loss as a component of stockholders' equity.

Our non-U.S. dollar denominated revenues expected to be recognized over the next twelve months are estimated to be $15 million while our non-U.S. dollar denominated expenses are $169 million, which translates into a net foreign currency exposure of $154 million per year. Our foreign currency exchange exposure is related to our operating expense base in countries outside the U.S., where approximately 69% of our employees are located as of November 30, 2012. During the first quarter of fiscal 2013, foreign currency movements decreased operating income by $0.6 million. In the first quarter of fiscal 2012, operating income increased by $0.7 million from the impact of foreign currency fluctuations.

We did not enter into any new hedging contracts during the first three months of fiscal 2013. As of November 30, 2012 we maintain foreign currency forward contracts to hedge approximately 75% of our Indian Rupee exposure through the end of the first quarter of fiscal 2014, 50% of our Indian Rupee exposure through the end of the first quarter of fiscal 2015 and 50% of our net Euro exposure through the end of the second quarter of fiscal 2013. At November 30, 2012 the notional principal and fair value of foreign exchange contracts to purchase Indian Rupees with U.S. dollars was Rs.1.7 billion and ($0.5) million, respectively. At November 30, 2012, the notional principal and fair value of foreign exchange contracts to purchase Euros with U.S. dollars were €3.8 million and $0.2 million, respectively. A loss on derivatives during the first quarter of fiscal 2013 of $0.5 million was recorded into operating income in our Consolidated Statements of Income compared to a gain of $0.5 million a year ago.

Liquidity

The table below, for the periods indicated, provides selected cash flow information (in thousands):

	Three Months Ended November 30, 2012	Three Months Ended November 30, 2011
Net cash provided by operating activities	$50,636	$54,754
Capital expenditures (1)	(6,097)	(6,054)
Free cash flow (2)	$44,539	$48,700
Net cash used in investing activities	$(6,392)	$(21,054)
Net cash used in financing activities	$(24,738)	$(16,218)
Cash and cash equivalents at end of period	$210,712	$193,754

(1) Included in net cash used in investing activities during each fiscal year reported.

(2) We define free cash flow as cash provided by operating activities, which includes the cash cost for taxes and changes in working capital, less capital expenditures. The presentation of free cash flow is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles ("GAAP"). We use free cash flow, a non-GAAP measure, both in presenting our results to stockholders and the investment community, and in our internal evaluation and management of the business. Management believes that this financial measure and the information we provide are useful to investors because it permits investors to view our performance using the same metric that we use to gauge progress in achieving our goals and is an indication of cash

flow that may be available to fund further investments in future growth initiatives.

Cash and cash equivalents aggregated to $210.7 million or 30% of our total assets at November 30, 2012, compared with $193.8 million or 29% of our total assets at November 30, 2011 and $189.0 million at August 31, 2012 or 27% of our total assets. All of our operating and capital expense requirements were financed entirely from cash generated from our operations. Our cash and cash equivalents increased $21.7 million in the past three months due to cash provided by operations of $50.6 million, $13.1 million from the exercise of employee stock options, $4.0 million of tax benefits from share-based payment arrangements and $2.2 million from the effect of exchange rate changes on our foreign cash balances partially offset by cash outflows of $28.2 million related to stock repurchases, dividend payments of $13.6 million, capital expenditures of $6.1 million.

Free cash flow generated over the last twelve months was $205.3 million and exceeded net income by 6.3%. Included in the twelve month calculation of free cash flow was $227.9 million of net cash provided by operations less $22.6 million of capital expenditures. During the first quarter of fiscal 2013, free cash flow of $44.5 million was generated from higher levels of net income and incremental non-cash expenses partially offset by negative working capital changes. Working capital declined by $9.0 million due to a $14.1 million increase in our accounts receivable balance partially offset by timing of prepaid expenses and a reduction in tax payments due to stock option exercises. Our days sales outstanding ("DSO") was 34 days at November 30, 2012 compared to 30 days a year ago. Despite the increase in DSO, we remain confident in the collectability of our receivables because the uptick in DSO relates all to billings in October and November 2012, including an increase to billing for annual or semi-annual client subscriptions. In addition, our organic ASV is up $54.7 million over the last 12 months while our accounts receivable balance has increased by only $14.1 million over that same period. We have seen our DSO remain consistently between 30 and 34 days over the past couple years as we continue to optimize our internal billing and collection systems.

Net cash used in investing activities was $6.4 million during the first quarter of fiscal 2013 due to capital expenditures of $6.1 million and the reinvestment of proceeds from time deposits that matured during the quarter. Net cash used in investing activities was $14.7 million lower in the current quarter compared to a year ago because during October 2011 we purchased $15.0 million of time deposit with maturity dates ranging from six to twelve months from purchase date.

Net cash used in financing activities was $24.7 million during the first quarter of fiscal 2013 due to $28.2 million in share repurchases and $13.6 million in dividend payments partially offset by proceeds from employee stock plans of $13.1 million and related tax benefits of $4.0 million. Net cash used in financing activities was $8.5 million higher in the current quarter compared to the prior year due to an increase in share repurchases of $13.5 million partially offset by higher proceeds from employee stock plans and incremental tax benefits from share-based payment arrangements. In the first quarter of fiscal 2013, we repurchased 270,000 shares for $25.4 million under the share repurchase program. In addition, we repurchased 29,604 shares for $2.8 million from employees to cover their cost of taxes upon the vesting of previously granted restricted stock during the first quarter of fiscal 2013. In the year ago quarter, we repurchased 150,000 shares for $14.6 million under the program. Through quarterly cash dividends and share repurchases, we have returned $219 million to our stockholders over the past 12 months. Proceeds from employee stock exercises increased from $7.4 million in the first quarter of fiscal 2012 to $13.1 million in current year first quarter because the number of employee stock options exercised increased by 65,787.

We expect that for at least the next 12 months, our operating expenses will continue to constitute a significant use of our cash. Furthermore, we expect existing domestic (U.S.) cash to continue to be sufficient to fund our domestic operating activities and cash commitments for investing and financing activities for at least the next 12 months and thereafter for the foreseeable future. As of November 30, 2012, our total cash and cash equivalents worldwide was $211 million with no outstanding borrowings. Approximately $52 million of our total available cash and cash equivalents is held in bank accounts located within the U.S., $147 million in Europe (predominantly within the UK and France) and the remaining $12 million is held in Asia Pacific. We believe our liquidity (including cash on hand, cash from operating activities and other cash flows that we expect to generate) within each geographic segment will be sufficient to meet our short-term and longer-term operating requirements, as they occur, including working capital needs, capital expenditures, dividend payments, stock repurchases and financing activities. In addition, we expect existing foreign cash, cash equivalent and cash flows from operations to continue to be sufficient to fund our foreign operating activities and cash commitments for investing activities, such as capital expenditures, for at least the next 12 months and thereafter for the foreseeable future.

Capital Resources

Capital Expenditures

Capital expenditures were $6.1 million for the quarter ended November 30, 2012 consistent with the year ago quarter. Approximately $3.4 million or 60% of capital expenditures was for computer equipment including adding additional equipment to our existing data centers, purchasing new laptop computers and peripherals for our growing employee base and improving interoffice telecommunication equipment. The remaining 40% of capital expenditures was for office expansions, primarily the build-out of our expansion in the Philippines and new space in Hong Kong and Dubai.

Capital Needs

We currently have no outstanding indebtedness, other than the letters of credit issued in the ordinary course of business. Approximately $4.3 million of standby letters of credit have been issued in connection with our current leased office space as of November 30, 2012. These standby letters of credit contain covenants that, among other things, require us to maintain minimum levels of consolidated net worth and certain leverage and fixed charge ratios. At November 30, 2012, we were in compliance with all covenants contained in the standby letters of credit. As of November 30, 2012 and 2011, we maintained a zero debt balance and were in compliance with all covenants.

Off-Balance Sheet Arrangements
At November 30, 2012 and August 31, 2012, we had no off-balance sheet financing or other arrangements with unconsolidated entities or financial partnerships (such as entities often referred to as structured finance or special purpose entities) established for purposes of facilitating off-balance sheet financing or other debt arrangements or for other contractually limited purposes.

Share Repurchase Program
We repurchased 270,000 shares for $25.4 million under the existing share repurchase program during the first quarter of fiscal 2013. At November 30, 2012, $164.3 million remains authorized for future share repurchases. Repurchases will be made from time to time in the open market and privately negotiated transactions, subject to market conditions. No minimum number of shares to be repurchased has been fixed. There is no timeframe to complete the repurchase program and it is expected that share repurchases will be paid using existing and future cash generated by operations.

Contractual Obligations
Fluctuations in our operating results, the degree of success of our accounts receivable collection efforts, the timing of tax and other payments as well as necessary capital expenditures to support growth of our operations will impact our liquidity and cash flows in future periods. The effect of our contractual obligations on our liquidity and capital resources in future periods should be considered in conjunction with the factors mentioned here. As of August 31, 2012, we had total purchase commitments of $52.2 million. There were no material changes in our purchase commitments during the first three months of fiscal 2013.

During the first quarter of fiscal 2013, we entered into new lease agreements for additional office space in France, Italy and Austin, Texas in the ordinary course of business to support our existing operations. At the time these new lease agreements were entered into, our future minimum rental payments increased by $1.5 million. However, our commitments under our operating leases decreased from $141.2 million at August 31, 2012 to $136.3 million at November 30, 2012 due to three months of rent incurred and the effects of foreign currency.

With the exception of the new leases entered into in the ordinary course of business, there were no other significant changes to our contractual obligations during the three months ended November 30, 2012.

Dividends
On November 15, 2012, our Board of Directors approved a regular quarterly dividend of $0.31 per share. The cash dividend of $13.7 million was paid on December 18, 2012, to common stockholders of record on November 30, 2012. With our dividends and our share repurchases, in the aggregate, we have returned $219 million to shareholders over the past 12 months. Future cash dividends will be paid using our existing and future cash generated by operations.

Significant Accounting Policies and Critical Accounting Estimates
We describe our significant accounting policies in Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2012.

We discuss our critical accounting estimates in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended August 31, 2012. There were no significant changes in our accounting policies or critical accounting estimates since the end of fiscal 2012.

Performance-based Option Grant Review- In connection with our acquisition of the Market Metrics business, we granted 746,415 performance-based employee stock options. These options vest only if accelerated revenue targets are achieved related to the Market Metrics business and option holders remain employed by FactSet. If it becomes probable that these options will vest based on achieving the revenue targets, stock-based compensation expense equal to $15.3 million would be recorded. The pre-tax stock-based compensation charge of $15.3 million is equal to the grant-date fair value of the stock options awarded at the time of the acquisition and would represent a one-time cumulative adjustment from a change in the vesting based on achieving the accelerated revenue targets. Vesting of the performance based options was deemed to be not probable at November 30, 2012.

U.S. Federal R&D Tax Credit - The U.S. Federal R&D tax credit was reenacted in January 2013 as it had previously expired on December 31, 2011. The reenactment of the credit was retroactive to January 1, 2012 and extends through the end of the 2013 calendar year. Prior to the reenactment of the tax credit, we had not been permitted to factor it into our effective tax rate because it was not currently enacted tax law. The expiration negatively impacted our fiscal 2013 first quarter effective tax rate by 180 basis points compared to 130 basis points in the year ago first quarter. The reenactment in January 2013 is expected to result in discrete income tax benefits between $4.5 million and $5.0 million during the second quarter of fiscal 2013.

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New Accounting Pronouncements

See Note 3 to the consolidated financial statements for a full description of recent accounting pronouncements, including the expected dates of adoption, which we include here by reference.

Market Trends

In the ordinary course of business, we are exposed to financial risks involving foreign currency and interest rate fluctuations. Major equity indices (e.g., Dow Jones Industrials, Russell 1000, MSCI EAFE, S&P 500 and NASDAQ Composite) continue to experience volatility. Approximately 81% of our annual subscription value is derived from our investment management clients. The prosperity of these clients is tied to equity assets under management. An equity market decline not only depresses assets under management but could cause a significant increase in redemption requests to move money out of equities and into other asset classes. Moreover, extended declines in the equity markets may reduce new fund or client creation, resulting in lower demand for services from investment managers.

Our investment banking clients who perform M&A advisory work and equity research account for approximately 19% of our annual subscription value. A significant portion of these revenues relate to services deployed by large, bulge bracket banks. Credit continues to impact many of the large banking clients due to the amount of leverage deployed in past operations. Clients could encounter similar problems. A lack of confidence in the global banking system could cause declines in merger and acquisitions funded by debt. Additional uncertainty, consolidation and business failures in the global investment banking sector could adversely affect our financial results and future growth.

We service equity research and M&A departments. These are low risk businesses that do not deploy leverage and will likely continue to operate far into the future and should represent a larger percentage of the overall revenues of our clients. Regardless, the size of banks in general is shrinking as they deleverage their balance sheets and adjust their expense bases to future revenue opportunities. Our revenues may decline if banks including those involved in recent merger activity significantly reduce headcount in the areas of corporate M&A and equity research to compensate for the issues created by other departments.

Forward-Looking Factors

Forward-Looking Statements

In addition to current and historical information, this Quarterly Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are based on management's current expectations, estimates, forecast and projections about the industries in which we operate and the beliefs and assumptions of our management. All statements, other than statements of historical facts, are statements that could be deemed to be forward-looking statements. These include statements about our strategy for growth, product development, market position, subscriptions and expected expenditures and financial results. Forward-looking statements may be identified by words like "expects," "anticipates," "plans," "intends," "projects," "should," "indicates," "continues," "ASV," "subscriptions," "belie "may" and similar expressions. In addition, any statements that refer to projections of our future financial performance, our anticipated growth, trends in our business and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Therefore, actual results may differ materially from what is expressed or forecasted in such forward-looking statements. We will publicly update forward-looking statements as a result of new information or future events in accordance with applicable Securities and Exchange Commission regulations.

We intend that all forward-looking statements we make will be subject to safe harbor protection of the federal securities laws as found in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

These statements involve certain known and unknown risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those listed below. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this Quarterly Report to reflect actual results or future events or circumstances.

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Business Outlook

The following forward-looking statements reflect our expectations as of December 18, 2012. Given the number of risk factors, uncertainties and assumptions discussed above, actual results may differ materially. We do not intend to update our forward-looking statements until our next quarterly results announcement, other than in publicly available statements.

Second Quarter Fiscal 2013 Expectations

- Revenues are expected to range between $212 million and $215 million.
- Operating margin is expected to range between 33.5% and 34.0%.
- The effective tax rate is expected to range between 31.5% and 32.5%.
- GAAP diluted EPS should range between $1.11 and $1.13, the midpoint of the range represents 10% growth over last year’s second quarter.

Risk Factors

There were no material changes during the first three months of fiscal 2013 to the risk factors identified in our fiscal 2012 Annual Report on Form 10-K.

Financial Risk Management

In the normal course of business, we are exposed to foreign currency exchange risk and interest rate risk that could impact our financial position and results of operations.

Foreign Currency Exchange Risk

We are exposed to market risk from changes in foreign currency exchange rates, which could affect operating results, financial position and cash flows. We manage our exposure to foreign currency exchange risk through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. These derivative financial instruments are utilized to hedge currency exposures as well as to reduce earnings volatility resulting from shifts in market rates. We only enter into foreign currency forward contracts to manage foreign currency exposures. Our foreign currency market exposures include the Euro, British Pound Sterling, Japanese Yen, Indian Rupee and Philippines Peso. The fair market values of all our derivative contracts change with fluctuations in currency rates and are designed so that any changes in their values are offset by changes in the values of the underlying exposures. Derivative financial instruments are held solely as risk management tools and not for trading or speculative purposes.

We are required to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet. The level of volatility will vary with the type and amount of derivative hedges outstanding, as well as fluctuations in the currency markets during the period. The related cash flow impacts of all of our derivative activities are reflected as cash flows from operating activities.

By their nature, all derivative instruments involve, to varying degrees, elements of market and credit risk. The market risk associated with these instruments resulting from currency exchange movements is expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. We do not believe there is significant risk of loss in the event of non-performance by the counterparties associated with these instruments because these transactions are executed with a major financial institution. Further, our policy is to deal with counterparties having a minimum investment grade or better credit rating. Credit risk is managed through the continuous monitoring of exposures to such counterparties.

Interest Rate Risk

The fair market value of our cash and investments at November 30, 2012 was $225.2 million. Our cash and cash equivalents consist of demand deposits and money market funds with maturities of three months or less at the date of acquisition and are reported at fair value. Our investments consist of certificates of deposits with original maturities greater than three months, but less than one year and, as such, are classified as investments (short-term) on our consolidated balance sheet. It is anticipated that the fair market value of our cash and investments will continue to be immaterially affected by fluctuations in interest rates. Preservation of principal is the primary goal of our cash and investment policy. Pursuant to our established investment guidelines, we try to achieve high levels of credit quality, liquidity and diversification. Our investment guidelines do not permit us to invest in puts, calls, strips, short sales, straddles, options, commodities, precious metals, futures or investments on margin. Because we have a restrictive investment policy, our financial exposure to fluctuations in interest rates is expected to remain low. We do not believe that the value or liquidity of our cash and investments have been significantly impacted by current market events. Current market events have not required us to modify materially or change our financial risk management strategies with respect to our exposures to foreign currency exchange risk and interest rate risk.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to foreign currency exchange risk and interest rate risk that could impact our financial position and results of operations.

Foreign Currency Exchange Risk
We conduct business outside the U.S. in several currencies including the British Pound Sterling, Euro, Japanese Yen, Indian Rupee and Philippine Peso. The financial statements of these foreign subsidiaries are translated into U.S. dollars using period-end rates of exchange for assets and liabilities and average rates for the period for revenues and expenses. Our non-U.S. dollar denominated revenues expected to be recognized over the next twelve months are estimated to be $15 million while our non-U.S. dollar denominated expenses are $169 million, which translates into a net foreign currency exposure of $154 million per year. To the extent that our international activities recorded in local currencies increase in the future, our exposure to fluctuations in currency exchange rates will correspondingly increase. To manage the exposures related to the effects of foreign exchange rate fluctuations, we utilize derivative instruments (foreign currency forward contracts). Our primary objective in holding derivatives is to reduce the volatility of earnings associated with changes in foreign currency. Derivative financial instruments are held solely as risk management tools and not for trading or speculative purposes.

We did not enter into any new hedging contracts during the first three months of fiscal 2013. As of November 30, 2012 we maintain foreign currency forward contracts to hedge approximately 75% of our Indian Rupee exposure through the end of the first quarter of fiscal 2014, 50% of our Indian Rupee exposure through the end of the first quarter of fiscal 2015 and 50% of our net Euro exposure through the end of the second quarter of fiscal 2013. At November 30, 2012 the notional principal and fair value of foreign exchange contracts to purchase Indian Rupees with U.S. dollars was Rs.1.7 billion and ($0.5) million, respectively. At November 30, 2012, the notional principal and fair value of foreign exchange contracts to purchase Euros with U.S. dollars were €3.8 million and $0.2 million, respectively. A loss on derivatives for during the first quarter of fiscal 2013 of $0.5 million was recorded into operating income in our Consolidated Statements of Income compared to a gain of $0.5 million a year ago.

The gains and losses on foreign currency forward contracts mitigate the variability in operating expenses associated with currency movements. These transactions are designated and accounted for as cash flow hedges in accordance with applicable accounting guidance. The changes in fair value for these foreign currency forward contracts are initially reported as a component of accumulated other comprehensive loss and subsequently reclassified into operating expenses when the hedged exposure affects earnings.

A sensitivity analysis was performed based on the estimated fair value of all foreign currency forward contracts outstanding at November 30, 2012. If the U.S. dollar had been 10% weaker, the fair value of outstanding foreign currency forward contracts would have increased by $3.0 million, which would have had an immaterial impact on our consolidated balance sheet. Such a change in fair value of our financial instruments would be substantially offset by changes in our expense base. Had we not had any hedges in place as of November 30, 2012, a hypothetical 10% weaker U.S. dollar against all foreign currencies from the quoted foreign currency exchange rates at November 30, 2012, would result in a decrease in operating income by $14.9 million over the next twelve months. A hypothetical 10% weaker U.S. dollar against all foreign currencies at November 30, 2012 would increase the fair value of total assets by $30.3 million and equity by $28.5 million.

Interest Rate Risk
The fair market value of our cash and investments at November 30, 2012 was $225.2 million. Our cash and cash equivalents consist of demand deposits and money market funds with maturities of three months or less at the date of acquisition and are reported at fair value. Our investments consist of certificates of deposits with original maturities greater than three months, but less than one year and, as such, are classified as investments (short-term) on our

consolidated balance sheet. It is anticipated that the fair market value of our cash and investments will continue to be immaterially affected by fluctuations in interest rates. Preservation of principal is the primary goal of our cash and investment policy. Pursuant to our established investment guidelines, we try to achieve high levels of credit quality, liquidity and diversification. Our investment guidelines do not permit us to invest in puts, calls, strips, short sales, straddles, options, commodities, precious metals, futures or investments on margin. Because we have a restrictive investment policy, our financial exposure to fluctuations in interest rates is expected to remain low. We do not believe that the value or liquidity of our cash and investments have been significantly impacted by current market events.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the principal executive officer and principal financial officer, the Company has evaluated the effectiveness of its disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on that evaluation, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

The Company regularly reviews its system of internal control over financial reporting and makes changes to its processes and systems to improve controls and increase efficiency, while ensuring that the Company maintains an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's first quarter of fiscal 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under Note 16, Commitments and Contingencies, contained in the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q is incorporated by reference in answer to this Item.

ITEM 1A. RISK FACTORS

There were no material changes during the first three months of fiscal 2013 to the risk factors identified in the Company's fiscal 2012 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Items 2(a) and (b) are not applicable as there have been no unregistered sales of equity securities.

(c)Issuer Purchases of Equity Securities (in thousands, except per share data)

The following table provides a month-to-month summary of the share repurchase activity under the current stock repurchase program during the three months ended November 30, 2012:

Period	Total number of shares	Average price paid per	Total number of shares purchased as	Maximum number of shares

	purchased	share	part of publicly announced plans or programs	(or approximate dollar value) that may yet be purchased under the plans or programs (in thousands)
September 2012	-	-	-	$ 189,765
October 2012	250,000	$ 94.42	250,000	$ 166,159
November 2012	20,000	$ 91.09	20,000	$ 164,337
	270,000		270,000	

Repurchases will be made from time to time in the open market and privately negotiated transactions, subject to market conditions. No minimum number of shares to be repurchased has been fixed. There is no timeframe to complete the repurchase program and it is expected that share repurchases will be paid using existing and future cash generated by operations.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

(a) EXHIBITS:

EXBHIT NUMBER	DESCRIPTION
31.1	Section 302 Certification of Principal Executive Officer
31.2	Section 302 Certification of Principal Financial Officer
32.1	Section 906 Certification of Principal Executive Officer
32.2	Section 906 Certification of Principal Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FACTSET RESEARCH SYSTEMS INC.
(Registrant)

Date: January 9, 2013

/s/ MAURIZIO NICOLELLI
Maurizio Nicolelli
Senior Vice President and Principal Financial Officer

/s/ MATTHEW J. MCNULTY
Matthew J. McNulty
Vice President and Controller
(Principal Accounting Officer)

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