NORTHROP GRUMMAN CORP /DE/
Form ARS
April 08, 2013

```
This document was generated as part of a paper submission.
Please reference the Document Control Number 13000359 for access to the original document.
```

TTOM" BGCOLOR="#808080" HEIGHT=1>

Balance, September 30, 2004

20,353,937

100,879

30,848

1,766

133,493

Net income

-

-

10,235

-

10,235

Foreign currency translation adjustment

-

-

-

(501)

(501)

Derivative valuation adjustment

-

-

-

406

406

Comprehensive income

10,140

Secondary common stock offering

-

(16)

(16)

Exercise of options and sale of stock under

the Employee Stock Purchase Plan

451,896

3,544

-

-

3,544

Tax benefit from option exercises

-

503

-

-

503

Balance, September 30, 2005

20,805,833

104,910

41,083

1,671

147,664

Net income

-

-

9,661

-

9,661

Foreign currency translation adjustment

-

-

-

2,605

2,605

Derivative valuation adjustment

-

-

-

286

286

Comprehensive income

12,552

Exercise of options and sale of stock under

the Employee Stock Purchase Plan

736,945

5,793

-

| | |
|---|---|
| | - |
| | 5,793 |
| Stock-based compensation | |
| | - |
| | 3,478 |
| | - |
| | - |
| | 3,478 |
| Tax benefit from option exercises | |
| | - |
| | 424 |
| | - |
| | - |
| | 424 |
| Balance, September 30, 2006 | |
| | 21,542,778 |
| | $ 114,605 |
| | $50,744 |
| | $ 4,562 |
| | $ 169,911 |

See accompanying notes.



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements

**1. Summary of Significant Accounting Policies**

Nature of Operations

MapInfo Corporation ("MapInfo" or the "Company") designs, develops, markets, licenses and supports location intelligence software and data products, application development tools, and industry-focused solutions, together with a range of consulting, analytical, training and technical support services. These products are sold through multiple distribution channels, including an indirect channel of value-added resellers and distributors, a corporate account sales force, and a telemarketing sales group. The Company's products are translated into 20 languages and sold in 60 countries throughout the world. MapInfo markets its products worldwide through sales offices in North America, Europe, Australia, and throughout the rest of Europe and the Asia-Pacific region through exclusive and non-exclusive distribution relationships.

Basis of Consolidation

The consolidated financial statements include the accounts of MapInfo Corporation and its wholly owned subsidiaries. Significant intercompany balances and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Short-term investments

Cash and cash equivalents consist primarily of highly liquid investments in time deposits at major banks, money market mutual funds, and other securities with original maturities of ninety days or less.

Short-term investments primarily consist of United States government agency notes and auction-rate investments. In accordance with FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities", and based on the Company's intentions regarding these investments, the Company classifies its various auction-rate investments as available-for-sale securities. The Company's investments in these securities are recorded at cost, which approximates fair market value due to their variable interest rates, which typically reset every 7 to 35 days, and, despite the long-term nature of their stated contractual maturities, the Company believes it has the ability to quickly liquidate these securities. As a result, the Company has no cumulative gross unrealized or realized holding gains or losses from our short-term investments. All income generated from these short-term investments is recorded as interest income.

Inventories

Inventories are stated at the lower of cost or market as determined on the average cost method and consist primarily of computer media, user manuals and software packaging supplies.

Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements

**1. Summary of Significant Accounting Policies (continued)**

Property and Equipment

Property and equipment is stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets (two to forty-nine years) for financial reporting purposes and accelerated methods for tax purposes. When assets are sold, retired, or otherwise disposed of, the applicable costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized.

Product Development Costs

Product development costs consist of capitalized translation costs incurred to translate our products into different languages. These costs are reported at the lower of unamortized cost or net realizable value and are being amortized on a straight-line basis over a period of up to 18 months, the estimated economic life of the products. Annual amortization under the straight-line method is greater than the ratio of current gross revenue to total expected product revenues method.

Goodwill and Purchased Intangible Assets

The Company records goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets"("SFAS 142"). SFAS 142 requires goodwill and indefinite-lived intangible assets to be tested for impairment, at least annually, and written down when impaired. Furthermore, SFAS 142 requires purchased intangible assets other than goodwill to be amortized over their useful lives, unless the useful lives are determined to be indefinite. Purchased intangible assets are carried at cost less accumulated amortization. Amortization is computed over the useful lives of the respective assets and is being amortized over two to ten years.

Derivative Instrument

The Company records changes in fair value for its interest rate swap on its long-term debt based on quoted market prices. The Company accounts for its interest rate swap in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." This has been classified and accounted for as a cash flow hedge.

Revenue Recognition

The Company derives revenues from product (software and data) licenses, product maintenance and professional services. Maintenance includes software defect or error fixes and rights to unspecified upgrades on a when-and-if available basis. Professional services primarily consist of analytical services, business consulting services, technical support and training.

The Company sells its products and services primarily through a direct sales team, Value Added Resellers, Distributors and Original Equipment Manufacturer (OEM) Partners.

The Company recognizes revenue in accordance with SOP 97-2 ("Software Revenue Recognition") and SOP 98-9 (Modification of SOP 97-2, "Software Revenue Recognition, with Respect to Certain Transactions") when all of the following conditions are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred, (3) the customer's fee is fixed or determinable, and (4) collectibility is probable. The Company records reductions to revenue for estimated product returns.



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

**1. Summary of Significant Accounting Policies (continued)**

The Company also uses the residual method under SOP 98-9. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue, assuming all other conditions for revenue recognition have been satisfied. Substantially all of the Company's product revenue is recognized in this manner. If the Company cannot determine the fair value of any undelivered element included in an arrangement, the Company will defer revenue until all elements are delivered, until services are performed or until fair value of the undelivered elements can be objectively determined. In circumstances where the Company offers significant and incremental fair value discounts for future purchases of other software products or services to its customers as part of an arrangement, utilizing the residual method the Company defers the value of the discount and recognizes such discount against revenue as the related product or service is delivered.

Product revenue:

Revenue from software and data licenses is recognized upon the shipment of product or the granting of licenses and when all other revenue recognition criteria are met, in accordance with SOP 97-2 and SOP 98-9.

Postcontract customer support (PCS):

PCS, inclusive of technical support and maintenance, is recognized ratably over the term of the agreement, generally over a one to two year period.

Multiple element arrangements:

Multiple-element arrangements of the Company consist primarily of software licenses sold with 1-year maintenance arrangements. Fees for multiple-element arrangements are allocated to the various elements of the arrangement based on the fair values of the elements. The fair value used to allocate to the elements is based on VSOE of fair values of the elements. VSOE is determined by the price charged when the same element is sold separately, as a renewal.

Services revenue:

Revenue from services such as analytical services, business consulting services, systems integration and custom application development, and training are recognized when the services are delivered. Services are generally delivered under a time and materials or milestone contract. Under a time and materials contract, services are billed and revenue is recognized as the services are performed. Under a milestone contract, services are billed and revenue is recognized when the contract-stated milestone is completed. The Company applies the provisions of SOP 97-2 when services are sold with software and the services do not require significant modification, production or customization to the software to meet the customer's desired functionality. The Company applies the provisions of SOP 81-1 ("Accounting for Performance of Construction-Type and Certain Production-Type Contracts") in the event significant modification, production or customization is necessary or in the event no technology is being delivered. The Company utilizes the percentage of completion method to recognize services revenue pursuant to SOP 81-1 and SAB 104 ("Revenue Recognition").



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

**1. Summary of Significant Accounting Policies (continued)**

Revenue Recognition (continued)

On-line (Hosted) Services

: The Company offers some products via an on-line hosted service. The service is typically sold on a subscription basis for a specific time period, typically not longer than one year. Customers do not have the right to take possession of the software under these arrangements and therefore these sales are accounted for under SAB Topic 13, "Revenue Recognition". Revenue from on-line services is recognized ratably over the subscription period.

Acceptance provisions

: Some of the Company's product and service arrangements with customers include acceptance provisions. In those cases in which significant uncertainties exist with respect to customer acceptance or in which specific customer acceptance criteria are included in the arrangement, the Company defers the arrangement fee and recognizes revenue, assuming all other conditions for revenue recognition have been satisfied, when the uncertainty regarding acceptance is resolved as generally evidenced by written acceptance by the customer.

OEM Revenue:

Revenue from products licensed to original equipment manufacturers is recorded when the product has been shipped and all obligations of the Company have been satisfied.

Value Added Reseller (VAR) Sales:

Revenue from product sales to distributors and resellers is recorded when related products are shipped and all other revenue recognition criteria are met.

Research and Development

Research and development costs, which include salaries, contractor fees, building costs, utilities, and administrative expenses, are expensed as incurred.

Advertising Costs

The Company expenses all advertising costs as they are incurred.

Shipping and Handling Costs

Amounts billed to customers for shipping and handling costs are included in revenue. Shipping and handling costs incurred by the Company are recorded as cost of revenues.

Income Taxes

Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable for future years to differences between financial statement and tax basis of existing assets and liabilities. The effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date. General business tax credits,minium tax credites and foreign tax credits are recorded as a reduction of income tax expense in the period the credits are generated.



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

1. Summary of Significant Accounting Policies (continued)

The Company records a valuation allowance to reduce deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

In accordance with SFAS 123(R), beginning October 1, 2005, deferred tax assets are not recognized for net operating loss carryforwards resulting from stock option tax deductions that are not currently benefitted. The Company has adopted the With-and-Without approach to computing the period in which a stock option deduction has been realized. This approach assumes that all stock option deductions, regardless of the year in which the stock option deduction arose (either from the current year or embedded in a prior year net operating loss carryforward), are deducted in the computation of taxable income after all other operating losses, regardless of the year in which the operating losses arose (either from the current year or embedded in a prior year net operating loss carryforward). The incremental tax benefit that is computed based upon the deduction of stock options is recorded to equity.

Foreign Currency

Local currencies are considered the functional currencies for most of the Company's operations outside the United States. The assets and liabilities of the Company's foreign subsidiaries are translated at year-end exchange rates, and the income statements are translated at the average rates of exchange prevailing during the year. Gains or losses resulting from translating non-U.S. currency financial statements and the foreign currency impact of long-term loans with foreign subsidiaries that are not intended to be repaid in the foreseeable future are accumulated in a separate component of stockholders' equity under the caption "Accumulated other comprehensive income." Gains and losses from foreign currency transactions are included in net income. The Company's exposure to foreign currency risk is mitigated, in part, by the fact that it incurs certain operating costs in the same foreign currencies in which revenues are denominated.

Computation of Earnings Per Share

Earnings per share are computed using the weighted average number of common and diluted common equivalent shares outstanding during the period. Diluted common equivalent shares consist of stock options using the treasury stock method.

Segment Information

The Company uses the "management" approach to reporting its segments. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments.



---

Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

1. Summary of Significant Accounting Policies (continued)

Stock-Based Compensation

The Company applies Statement of Financial Accounting Standard No. 123R, "Share Based Payment" (SFAS 123(R)) to account for employee and director stock option plans. Share-based employee compensation expense is determined using the Black-Scholes option pricing model which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility, expected dividend payments and the risk-free interest rate over the expected life of the options.

Recent Accounting Pronouncements

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155 (SFAS 155), "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140." SFAS 155 allows financial instruments that have embedded derivatives to be accounted for as a whole, eliminating the need to separate the derivative from its host, if the holder elects to account for the whole instrument on a fair value basis. This new accounting standard is effective for fiscal years beginning after September 15, 2006. The adoption of SFAS 155 is not expected to have an impact on the Company's results of operations, financial condition, or cash flow.

In March 2006, the FASB issued Statement of Financial Accounting Standards No. 156 (SFAS 156), "Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140." SFAS 156 requires that all separately recognized servicing rights be initially measured at fair value, if practicable. In addition, this Statement permits an entity to choose between two measurement methods (amortization method or fair value measurement method) for each class of separately recognized servicing assets and liabilities. This new accounting standard is effective for fiscal years beginning after September 15, 2006. The adoption of SFAS 156 is not expected to have an impact on the Company's results of operations, financial condition, or cash flow.

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provided guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company has not completed an evaluation of the potential impact of this interpretation on its results of operations, financial condition, or cash flow.



---

Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

1. Summary of Significant Accounting Policies (continued)

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS 157), "Fair Value Measurements". SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. The Statement does not require any new fair value measurements. This Statement shall be effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 is not expected to have an impact on the Company's results of operations, financial condition or cash flow.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 shall be effective for the financial statements issued for fiscal years ending after November 15, 2006.

SAB 108 was issued in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements. Traditionally, there have been two widely-recognized methods for quantifying the effects of financial statement misstatements: the "roll-over" method and the "iron curtain" method. The roll-over method focuses primarily on the impact of a misstatement on the income statement-including the reversing effect of prior year misstatements-but its use can lead to the accumulation of misstatements in the balance sheet. The iron-curtain method, on the other hand, focuses primarily on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior year errors on the income statement. The Company currently uses the iron-curtain method for quantifying identified financial statement misstatements.

In SAB 108, the SEC staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the company's financial statements and the related financial statement disclosures. This model is commonly referred to as a "dual approach" because it requires quantification of errors under both the iron curtain and the roll-over methods.

SAB 108 permits existing public companies to initially apply its provisions either by (i) restating prior financial statements as if the "dual approach" had always been used or (ii) recording the cumulative effect of initially applying the "dual approach" as adjustments to the carrying values of assets and liabilities as of the beginning of the fiscal year with an offsetting adjustment recorded to the opening balance of retained earnings. Use of the "cumulative effect" transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose.

The Company is currently analyzing the financial impact of SAB 108 and the approach to be used to record any financial adjustments within its financial statements. The Company intends to disclose the results of this analysis and record any associated financial impact during the preparation of annual financial statements for the year ending September 30, 2007.



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2. Short-term Investments

Short-term investments primarily consist of United States government agency notes and auction-rate investments. In accordance with FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities", and based on the Company's intentions regarding these investments, the Company classifies its various auction-rate investments as available-for-sale securities. The Company's investments in these securities are recorded at cost, which approximates fair market value due to their variable interest rates, which typically reset every 7 to 35 days, and, despite the long-term nature of their stated contractual maturities, the Company has the ability to quickly liquidate these securities. As a result, the Company has no cumulative gross unrealized or realized holding gains or losses from our short-term investments. All income generated from these short-term investments is recorded as interest income.

During the years ended September 30, 2006 and September 30, 2005, available-for-sale securities were sold for total proceeds of $36.4 million and $67.3 million, respectively. Included in other income (expense), net is interest income pertaining to these investments of $2.0 million, $1.2 million and $521 thousand in 2006, 2005 and 2004, respectively.

At September 30, short-term investments consist of the following (in thousands)

| | 2006 | | 2005 | |
|---|---|---|---|---|
| Type of Investment | Cost | Aggregate market value | Cost | Aggregate Market value |
| Preferred stock(1) | $ 14,600 | $ 14,600 | $ 32,460 | $ 32,507 |
| Agency notes | 6,611 | 6,613 | 3,000 | 3,003 |
| Municipal bonds(1) | 12,908 | 12,919 | 8,000 | 8,006 |

| | | | | |
|---|---|---|---|---|
| Corporate notes | 9,171 | 9,166 | - | - |
| Certificate of Deposit | 1,953 | 2,000 | - | - |
| | $ 45,243 | $ 45,298 | $ 43,460 | $ 43,516 |

(1)

Includes auction-rate securities

Contractual maturities of short-term investments at September 30, 2006 are as follows (in thousands):

| | Estimated Market Value |
|---|---|
| Due in one year or less | $ 41,311 |
| Due in 1-2 years | 3,987 |
| Due in 2-5 years | - |
| Due after 5 years | - |
| Total investments in available-for-sale securities | $ 45,298 |

55

Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

3. Property and Equipment

Property and equipment consist of the following (in thousands):

| | September 30, | | |
|---|---|---|---|
| | 2006 | 2005 | Estimated Useful Lives |
| Computer hardware and software | $ 24,686 | $ 22,747 | 2-4 years |
| Equipment | 1,683 | 1,593 | 3 years |
| Furniture and fixtures | 5,388 | 4,992 | 3-7 years |
| Land Lease | 2,105 | 2,105 | 49 years |
| Building and leasehold improvements | 19,174 | 19,008 | 4-49 years |
| | 53,036 | 50,445 | 2-49 years |
| Accumulated depreciation and amortization | (29,061) | (25,595) | |
| | $ 23,974 | $ 24,850 | |

Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended September 30, 2006, 2005 and 2004 was $3.8 million, $3.7 million and $3.8 million, respectively. Included in the building and leasehold improvements caption is the Corporate headquarter facility, which is subject to a mortgage lien, as described in Note 8 below.

4. Product Development Costs

Product development costs consist of the following (in thousands):

| | September 30, | |
|---|---|---|
| | 2006 | 2005 |
| Product development costs | $ 1,923 | $ 1,775 |
| Accumulated amortization | (1,463) | (1,321) |
| | $ 460 | $ 454 |

Capitalized product development costs for the years ended September 30, 2006, 2005 and 2004 were approximately $462 thousand, $839 thousand and $711 thousand, respectively. Amortization of capitalized product development costs for the years ended September 30, 2006, 2005 and 2004 was approximately $474 thousand, $575 thousand and $607 thousand, respectively. In addition, during fiscal years 2006, 2005 and 2004, the Company wrote-off fully amortized product development costs of $212 thousand, $615 thousand and $6.1 million, respectively.



Table of Contents



5. Goodwill and Purchased Intangible Assets

In applying SFAS No. 142, "Goodwill and Other Intangible Assets", during the second quarter of fiscal year 2006, the Company performed the annual reassessment and impairment of goodwill tests required as of December 31, 2005. Management's determination of impairment is based on estimates of future cash flows. As a result of these annual tests, there was no indication of impairment. However, there can be no assurance that future goodwill or indefinite-lived intangible assets impairment tests will not result in a charge to earnings.

The balance of goodwill as of September 30, 2005 was $49.7 million. During the fiscal year ended September 30, 2006, goodwill increased by $2.4 million. The increase in goodwill was due to $810 thousand related to the purchase of Dimasi Strategic Research in August 2005; $52 thousand related to the purchase of MarkeTech Systems, Inc. in June 2005 and $83 thousand of additional goodwill related to the September 2004 acquisition of Southbank Systems. (See Note 17 below for further information on the Company's recent acquisitions). The strengthening in foreign currencies versus the U.S. dollar increased goodwill by $1.4 million. As a result, the goodwill balance at September 30, 2006 was $52.1 million.

The components of purchased intangible assets are as follows (in thousands):

| September 30, 2006 | Gross | Accumulated Amortization | Effect of Foreign Exchange | Net | Amortization Period |
|---|---|---|---|---|---|
| Technology intangibles | $ 7,965 | $ 3,880 | $ (70) | $ 4,015 | 3-8 years |
| Customer intangibles | 8,695 | 5,602 | (99) | 2,994 | 4-10 years |
| Trademarks | 2,316 | 411 | 403 | 2,308 | 2-10 years |
| Other | 467 | 392 | (2) | 73 | 3-5 years |
| Total | $ 19,443 | $ 10,285 | $ 232 | $ 9,390 | |

| September 30, 2005 | Gross | Accumulated Amortization | Effect of Foreign Exchange | Net | Amortization Period |
|---|---|---|---|---|---|
| Technology intangibles | $ 7,965 | $ 2,778 | $ (59) | $ 5,128 | 3-8 years |
| Customer intangibles | 8,695 | 4,507 | (60) | 4,128 | 4-10 years |
| Trademarks | 2,316 | 28 | (36) | 2,252 | 2 yrs.-Indefinite |
| Other | 467 | 342 | - | 125 | 3-5 years |
| Total | $ 19,443 | $ 7,655 | $ (155) | $ 11,633 | |

Amortization of purchased intangible assets for the years ended September 30, 2006 and 2005 was $2.6 million and $2.2 million, respectively. The Company reassesses the useful lives of the purchased intangible assets and makes changes to such lives when necessary.

57

---

Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

5. Goodwill and Purchased Intangible Assets (continued)

The estimated future amortization expense of purchased intangible assets is as follows (in thousands):

| Fiscal year | Amount |
|---|---|
| 2007 | $ 2,600 |
| 2008 | 2,187 |
| 2009 | 1,670 |
| 2010 | 695 |
| 2011 | 682 |
| Thereafter | 1,151 |

**6. Investments**

Alps Mapping Co. Ltd.

In March 2000, the Company acquired 16.7% of the outstanding common stock of Alps Mapping Co., Ltd. ("Alps"), a leading Japanese data provider headquartered in Nagoya, Japan. The Company invested 100 million Yen (approximately $750 thousand) to acquire the 16.7% equity position and 400 million Yen (approximately $3.7 million) in three debt instruments with warrants that could be converted over time into as much as a 51% common stock ownership position. In February 2002, the Company redeemed, at face value, one debt instrument of 100 million Yen (approximately $750 thousand). In addition, the remaining two debt instruments with warrants were converted into equity, which increased the Company's ownership in Alps to 49%. This investment had been accounted for under the equity method of accounting and was included in the Americas geographic business segment in fiscal year 2004.

During fiscal year 2005, the Company wrote-off the remaining balance of its equity investment in Alps based primarily on the Company's proportionate share of Alps' quarterly operating loss. The impact, net of effect of foreign currency and other adjustments, was approximately $1.4 million and has been included in the Company's Consolidated Income Statement under the caption "Other income (expense) - net." As a result of the write-down of the investment, the Company also recorded an impairment of the deferred tax asset related to this investment of approximately $600 thousand, which has been included in the Company's Consolidated Income Statement under the caption "Provision for income taxes."



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

7. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

| | September 30, | |
|---|---|---|
| | 2006 | 2005 |
| Compensation | $ 5,215 | $ 4,308 |
| Royalties | 4,834 | 5,971 |
| Marketing | 806 | 447 |
| Commissions | 1,736 | 1,645 |
| Acquisition purchase price holdback | - | 1,052 |
| Value added taxes | 2,349 | 1,900 |
| Other | 5,220 | 5,200 |
| | $ 20,160 | $ 20,523 |

8. Mortgage Payable and Credit Facility

Mortgage Payable.

On December 21, 2001, the Company entered into a mortgage loan and other related agreements with a commercial bank to finance construction of a 150,000 square foot office building in Troy, New York and the related land lease. The total construction financing borrowed under this financing arrangement was $15.1 million. In December 2002, the Company converted the entire construction loan to a ten-year mortgage loan. Principal together with interest, at a rate of LIBOR plus 2.25%, with a 3.50% minimum, is payable monthly. As of September 30, 2006 and September 30, 2005, the outstanding balance due on this mortgage loan was $13.9 million and $14.2 million, respectively. As of September 30, 2006 and 2005, the amount included in fixed assets for this facility was $15.3 million and $15.7 million, respectively.

Credit Facilities

. In January 2003, the Company borrowed $3.0 million under a one-year revolving credit facility with a commercial bank. In March 2003, the Company converted this obligation into a forty-two month term loan. Principal outstanding under this term loan is payable monthly in forty-one equal installments of $72 thousand and a final payment of $69 thousand, along with interest at a rate of LIBOR plus 1.75%. The balance outstanding under this term loan agreement as of September 30, 2006 and September 30, 2005 was $140 thousand and $1.0 million, respectively.

The Company has a total of $30.0 million of credit facilities consisting of two $15.0 million credit facilities with banks that expire on March 31, 2010. As of September 30, 2006 and September 30, 2005, there were no outstanding borrowings under these credit facilities. Both credit facilities contain similar financial covenants with which we are in compliance.

Future minimum payments required under loan agreements that have initial or remaining non-cancelable terms in excess of one year as of September 30, 2006 are $454 thousand, 2007; $315 thousand, 2008; $315 thousand, 2009; $315 thousand, 2010; $315 thousand, 2011 and $12.3 million thereafter.



---

Table of Contents



9. Derivative Instruments and Hedging Activities

In order to reduce exposure to movements in interest rates, in January 2003 the Company entered into an interest rate swap agreement to convert its variable rate mortgage loan to a fixed rate. The agreement involves the exchange of fixed and floating interest rate payments over the ten-year life of the loan. The notional rate of $13.9 million and the termination date of January 1, 2013 match the principal amount and maturity date of the mortgage loan. The variable interest rate on the mortgage loan is the greater of 3.5% or the sum of the 30-day LIBOR rate plus 2.25%. The interest rate swap has fixed the effective interest rate that we will pay at 5.92%. The 5.92% interest rate is based on the assumption that the 30-day LIBOR rate plus 2.25% is 3.5% or higher, due to the interest rate minimum which applies to the mortgage. The impact of the fluctuations in interest rates on the interest rate swap agreement will be naturally offset by the opposite impact on the related mortgage debt. The Company accounts for this interest rate swap in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." At September 30, 2006, the fair value of the swap agreement, which represents the cash the Company would receive or pay to settle the agreement, was a receivable of $294 thousand. The current portion of $47 thousand is included on the balance sheet under the caption "Other current assets" and the long-term portion of $247 thousand is included under the caption "Investments and other assets". At September 30, 2005, the fair value of the swap agreement was a receivable of $8 thousand. The current portion of $1 thousand is included on the balance sheet under the caption "Other current assets" and the long-term portion of $7 thousand is included under the caption "Investments and other assets". The Company records the payments or receipts on the agreement as adjustments to interest expense. The Company recognized interest income related to the swap agreement of $24 thousand for fiscal year 2006 and recognized interest expcnse related to the swap agreement of $262 thousand for fiscal year 2005 and $502 thousand for fiscal year 2004.

10. Commitments and Contingencies

Operating leases.

The Company previously leased a facility in the Rensselaer Technology Park in Troy, New York (One Global View), which is approximately 60,000 square feet of office space. This lease expired in February 2006. The Company continued to occupy One Global View under a month-to-month arrangement until December 2006. The Company anticipates purchasing the 60,000 square foot facility for approximately $7.5 million in December 2006. This facility is adjacent to the Company's newly constructed facility, and together these facilities house the corporate headquarters, the principal research and development center and the principal sales, marketing and administrative organizations for the Americas.

The Company also leases office space of approximately 25,000 square feet in Windsor, England, which houses the European headquarters. The lease on this facility expires in 2012. In addition, the Company leases office space of approximately 41,000 square feet in Toronto, Canada, which houses a research and development center, as well as sales, marketing and support staff. The lease on this facility expires in 2014.



Table of Contents



10. Commitments and Contingencies (continued)

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2006 are $5.5 million, 2007; $4.2 million, 2008; $3.9 million, 2009; $3.6 million, 2010; $3.5 million, 2011 and $6.5 million thereafter. Rental payments associated with our 60,000 square foot facility located in Troy, New York are anticipated to continue through December 2006.

Sale/leaseback.

In August 2005, through its wholly owned subsidiary, MapInfo Australia Pty. Limited, the Company sold a building and the related land in Brisbane, Australia for $2.1 million Australian dollars, or approximately $1.6 million U.S. dollars. Under the agreement, the Company is leasing back the property from the purchaser over a period of four years. The Company is accounting for the leaseback as an operating lease. The gain realized in this transaction was

$1.0 million Australian dollars, or approximately $760 thousand U.S. dollars. The Company has deferred $632 thousand Australian dollars, or approximately $480 thousand U.S. dollars, and is amortizing this deferred gain to income in proportion to rent charged over the term of the lease. At September 30, 2006, the remaining deferred gain of $461 thousand Australian dollars, or approximately $345 thousand U.S. dollars, is included in the Company's Consolidated Balance Sheet under the caption "Accrued Liabilities."

The lease requires the Company to pay customary operating and repair expenses. For the year ended September 30, 2006, the total rental expense incurred by the Company under this lease was $175 thousand Australian dollars, or approximately $131 thousand U.S. dollars. The minimum lease payments required by the lease are as follows, in U.S. dollars:

| Fiscal year | Amount |
|---|---|
| 2007 | $ 133 |
| 2008 | 133 |
| 2009 | 118 |

Capital leases.

Future minimum payments required under capital leases that have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2006 total $219 thousand, all of which will be paid in 2007.

Total rent expense for the years ended September 30, 2006, 2005 and 2004 was approximately $5.0 million, $4.5 million and $5.5 million, respectively.

Indemnification.

Subject to certain limitations, the Company agrees to indemnify its customers against any damages, liabilities, costs and expenses arising out of any claim that a MapInfo product infringes the intellectual property right of a third party. The Company believes the liability for these agreements as of September 30, 2006 is not material. Accordingly, the Company has not recorded a charge to earnings for any liability for these agreements in accordance with FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others".



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

10. Commitments and Contingencies (continued)

Legal Proceedings.

On August 5, 2002, the Company filed an action against Spatial Re-Engineering Consultants ("SRC"), a former MapInfo reseller, in the United States District Court for the Northern District of New York to collect approximately $100 thousand in receivables owed by SRC to the Company under contractual obligations. SRC answered and asserted fifteen counterclaims against the Company. The counterclaims include allegations of breach of contract, libel, unfair trade practices, and copyright infringement. The District Court dismissed eight counterclaims and SRC voluntarily withdrew one counterclaim; six counterclaims remain. SRC is seeking money damages for lost profits in the amount of $15.5 million and statutory damages for the copyright infringement claims in an amount not to exceed $300 thousand. SRC is also seeking recovery of costs and attorneys' fees and treble damages for alleged violations of the Lanham Act. The Company believes the counterclaims are without merit and is vigorously defending against all remaining counterclaims. In addition, the Company has amended its complaint against SRC to add five claims relating to unauthorized distribution of the Company's products and copyright infringement. The Company cannot predict the outcome of the litigation nor reasonably estimate a range of possible loss given the current status of the litigation. Accordingly, no amounts have been accrued for this matter.

The Company is also party to other legal proceedings, none of which it believes is material to its results of operations, financial condition, or cash flows.



Table of Contents



11. Income Taxes

Provision for income taxes consists of (in thousands):

| | Year Ended September 30, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Current: | | | |
| Federal | $ 33 | $ 396 | $ 187 |
| State | 73 | 0 | 47 |
| Foreign | 3,687 | 3,974 | 2,049 |
| | 3,793 | 4,370 | 2,283 |
| Deferred income taxes: | | | |
| Federal | 1,251 | 575 | 776 |
| State | 238 | 183 | 253 |
| Foreign | (285) | (476) | 104 |
| | 1,204 | 282 | 1,133 |
| Provision for income taxes | $4,997 | $ 4,652 | $ 3,416 |

In 2006, the provision for income taxes has been decreased by research and experimental tax credits of approximately $27 thousand from US and $202 from Canada. In 2005, the provision for income taxes has been decreased by research and experimental tax credits of approximately $117 thousand from US and $160 thousand from Canada. At September 30, 2006, the Company has approximately $2.9 million of research and experimental tax credit carryforwards, which begin to expire in 2008, approximately $156 thousand of alternative minimum tax credit carryforwards, which have no expiration date, and approximately $1.6 million of foreign tax credit carryforwards which begin to expire in 2006. The Company has approximately $83 thousand of New York State investment tax credit carryforwards, which begin to expire in 2016. The Company has approximately $21.2 million of Federal net operating loss carryforwards, which begin to expire in 2021, and $28.5 million of state net operating loss carryforwards, which begin to expire in 2007.

U.S income before taxes was $3.6 million, $2.3 million, and $2.9 million for the years ended September 30, 2006, 2005 and 2004, respectively. Foreign income before taxes was $11 million, $12.6 million, and $5.6 million for the years ended September 30, 2006, 2005 and 2004, respectively.

The provision for income taxes differs from the amount computed by applying the U.S. federal statutory income tax rate of 34% as follows (in thousands):

| | Year Ended September 30, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Federal statutory income tax rate | 34% | 34% | 34% |
| State taxes | 2 | 1 | 2 |
| Non-U.S. tax rates, repatriation of earnings and other | | | |
| net charges associated with prior years | (1) | 1 | 6 |
| Research and experimental credit | (2) | (2) | (2) |
| Valuation Allowance | - | 6 | (1) |
| Effect of enacted tax law changes | - | (9) | - |
| Other | 1 | - | 1 |
| | 34% | 31% | 40% |



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

**11. Income Taxes (continued)**

Deferred income taxes recorded in the consolidated balance sheets at September 30, 2006 and 2005 consist of the following temporary differences:

| | US | | Non-US | |
|---|---|---|---|---|
| | September 30, | | September 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| Current deferred tax assets: | | | | |
| Accrued expenses | $ 36 | $ 82 | $ 424 | $ 589 |
| Bad debt reserve | 110 | 78 | - | - |
| Inventory | 75 | 100 | - | - |

| | | | | |
|---|---|---|---|---|
| Allowance for returns | 69 | 98 | - | - |
| Other current assets | - | 21 | - | 4 |
| Current deferred tax assets | 290 | 379 | 424 | 593 |
| Less: Valuation Allowance | 23 | 26 | 36 | 99 |
| Total Current deferred tax assets | 267 | 353 | 388 | 494 |
| Long term deferred tax assets (liabilities): | | | | |
| Tax credit carryovers | 4,712 | 4,574 | - | - |
| Property and equipment | 390 | 355 | 708 | 787 |
| Accrued expenses | - | - | 199 | 160 |
| Intangible assets | - | - | - | 23 |
| Stock Based Compensation | 772 | - | 107 | - |
| Net Operating Loss | 7,591 | 9,589 | - | - |
| Other non-current assets | 1,272 | 1,308 | 110 | 113 |
| Long term deferred tax assets | 14,737 | 15,826 | 1,124 | 1,083 |
| Less: Valuation Allowance | 1,157 | 1,087 | 341 | 284 |
| Total long term deferred tax assets | 13,580 | 14,739 | 783 | 799 |
| Total Deferred Tax Assets | $ 13,847 | $ 15,092 | $ 1,171 | $ 1,293 |
| Current deferred tax liabilities | | | | |
| Other Current liabilites | $ - | $ - | $ 97 | $ 117 |
| Total Current liabilities | - | - | 97 | 117 |
| Long term deferred tax liabilities | | | | |
| Capitalized product development costs | 90 | 90 | - | - |
| Intangible assets | 833 | 484 | 2,459 | 2,675 |
| Other Non-current liabilities | - | - | - | 51 |
| Total Long term deferred tax liabilities | 923 | 574 | 2,459 | 2,726 |
| Total Deferred Tax Liabilities | 923 | 574 | 2,556 | 2,843 |
| Net Deferred Tax Asset / (Liability) | $12,924 | $14,518 | $ (1,385) | $ (1,550) |



Table of Contents

**11. Income Taxes (continued)**

The valuation allowance at September 30, 2006 and 2005 was $1.2 million and $1.1 million, respectively for the U.S. and $ 377 thousand and $383 thousand for Non-U.S., respectively. In addition, approximately $1 million of the $1.2 million and $1.1 million valuation allowances is for the investment impairment charge of Alps Mapping. The Company is required to assess the realization of the deferred tax assets. Significant changes in circumstances may require adjustments during interim or annual periods. In 2006 and 2005 a portion of the Company's future tax benefits relating to foreign tax credits ($52 thousand), research and experimental credits ($101 thousand) required a valuation allowance. In 2006 and 2005, the Company provided a full valuation allowance on the capital loss carryforwards ($1 million for US and $377 thousand for Non-U.S.) as it is more likely than not that the Company will not have sufficient capital gains to offset the capital losses during the remaining carryforward period. Although realization is not assured, the Company has concluded that it is more likely than not that the remaining deferred tax assets will be realized. The amount of the deferred tax assets actually could vary if there are differences in timing or amount of future reversals of existing deferred tax liabilities or changes in the actual amounts of future taxable income. If the forecast is determined to no longer be reliable due to uncertain market conditions, the forecast will require reassessment. As a result, the Company may need to establish additional valuation allowances for all or a portion of the net deferred tax assets.

Excluded in the net operating loss deferred tax asset is approximately $1.4 million related to certain net operating loss carryforwards resulting from exercise of employee stock options, the tax benefit of which when recognized, will be accounted for as a credit to additional paid in capital rather than a reduction in income tax.

Under current legislation, the federal research and experimental credit does not apply to expenses incurred after December 31, 2005. Although the credit may be extended, in accordance with SFAS 109 we did not record tax benefits for any federal research and experimental credit after this expiration date.

Management has estimated and accrued for potential federal, foreign and state tax audit adjustments.

The Company has not recognized U.S. deferred tax income taxes on approximately $33.1 million of undistributed earnings of its foreign subsidiaries because management considers such earnings to be permanently reinvested. In the event such earnings are distributed, the Company may be subject to U.S. income taxes and foreign withholding, net of allowable foreign tax credits or deductions.

On October 22, 2004, the American Jobs Creation Act became effective. The Act contains two provisions that may impact the Company's provision for income taxes in future periods, namely those related to the Qualified Production Activities (QPA) and Foreign Earnings Repatriation (FER). We are not able to claim the benefits of the QPA provisions of the Act until we fully utilize our net operating loss carryovers. We do not plan to repatriate our foreign earnings under the FER provision and therefore, no U.S. income tax has been provided on the foreign earnings.



---

Table of Contents



**12. Stockholders' Equity**

Earnings Per Share

The following represents the basic and diluted earnings per share amounts for the years ended September 30, 2006, 2005 and 2004 (in thousands, except per share amounts):

| | Year Ended September 30, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Net income | $ 9,661 | $ 10,235 | $ 5,123 |
| Weighted average shares for basic EPS | 21,121 | 20,553 | 17,959 |
| Effect of dilutive stock options | 664 | 595 | 555 |
| Weighted average shares and assumed exercise of stock options for diluted EPS | 21,785 | 21,148 | 18,514 |
| Basic EPS | $ 0.46 | $ 0.50 | $ 0.29 |
| Diluted EPS | $ 0.44 | $ 0.48 | $ 0.28 |

Net income for the year ended September 30, 2006 included stock-based compensation expense under SFAS 123(R), net of income taxes of $2.5 million. There was no stock-based compensation expense recorded under SFAS 123(R) in the years ended September 30, 2005 and 2004 because the Company did not adopt the recognition provisions of SFAS 123(R) until October 1, 2005. (See Note 13 for prior year proforma information).

Stock options are considered anti-dilutive if the number of shares the Company can repurchase with all forms of exercise proceeds exceed the weighted number of shares exercisable. In addition, the impact of options with an exercise price equal to or greater than the average market price of the Company's common stock is also anti-dilutive. Anti-dilutive stock options are excluded from the calculation of earnings per share. Anti-dilutive stock options for the years ended September 30, 2006, 2005 and 2004 were 1,259,000 shares, 914,000 shares and 752,000 shares.

13.

**Employee Stock Purchase and Stock Option Plans**

Employee Stock Purchase Plan

Under the 1993 Employee Stock Purchase Plan, the Company is authorized to issue up to 2,512,500 shares of common stock to its full-time employees, nearly all of who are eligible to participate. Under the terms of the plan, shares of the Company's common stock may be purchased at six-month intervals at 85% of the lower of the fair value on the first or last day of each six-month period. Employees may purchase shares having a value not exceeding 10% of



Table of Contents

**13. Employee Stock Purchase and Stock Option Plans (continued)**

their gross compensation during an offering period. During the fiscal years ended September 30, 2006, 2005 and 2004, employees purchased 238,997, 237,657 and 241,754 shares, respectively. The weighted average fair value of purchase rights granted per share during the fiscal years ended September 30, 2006, 2005 and 2004, was $3.27, $3.54 and $3.60, respectively.

For the fiscal years ended September 30, 2006, 2005 and 2004, the Company used the Black-Scholes model with the following weighted average assumptions:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Expected volatility | 35.5% | 47.8% | 57.4% |
| Risk-free interest rate | 4.9% | 3.6% | 1.5% |
| Expected dividends | none | none | none |
| Expected term | 6 months | 6 months | 6 months |

The volatility assumption was derived using recent historical volatilities of the Company's common stock prior to the purchase period. The risk-free rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The dividend yield assumption is based on the history and expectation of dividend payments. The estimated expected term represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and the length of the purchase period.

Stock Option Plans

The Company has stock option plans under which employees, officers, and directors are eligible to participate, which provide for non-qualified and incentive stock options. Employees and officers are granted stock options under an employee stock option plan and directors are granted stock options under a director stock option plan. Options granted under both plans provide for an option exercise price equal to the fair market value at the date of grant. Options granted under the employee stock option plan prior to July 1996 typically vest over 5 years and 1 day and expire 10 years from the date of grant. Options granted under the employee stock option plan between July 1996 and September 2003 typically vest over 4 years and expire 10 years from the date of grant. Options granted under the employee stock option plan after September 2003 typically vest over 4 years and expire 5 years from the date of grant.

Options granted under the director stock option plan vest at the end of nine years and nine months after the date of grant, provided that such option shall become exercisable one year after the date of grant if the director has attended during such year at least 75% of the aggregate of the number of meetings of the Board of Directors and the number of meetings held by all committees on which he then served. Options granted under the director stock option plan expire 10 years from the date of grant.

At September 30, 2006, options for 2,165,484 shares were vested and 459,770 were available for future grants under the plans. Total authorized but unissued shares as of September 30, 2006 was 3,697,851.



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

**13. Employee Stock Purchase and Stock Option Plans (continued)**

Stock options outstanding were as follows:

| | Outstanding Options | |
|---|---|---|
| | Number of Shares | Weighted Average Exercise Price |
| Balance, September 30, 2003 | 2,591,979 | $ 10.92 |
| Options granted | 776,350 | 11.60 |
| Options forfeited and expired | (127,045) | 16.02 |
| Options exercised | (155,544) | 6.13 |
| Balance, September 30, 2004 | 3,085,740 | 11.12 |
| Options granted | 668,175 | 10.64 |
| Options forfeited and expired | (116,871) | 19.14 |
| Options exercised | (214,185) | 5.74 |
| Balance, September 30, 2005 | 3,422,859 | 11.09 |
| Options granted | 529,878 | 13.13 |
| Options forfeited and expired | (216,708) | 15.89 |
| Options exercised | (497,948) | 7.09 |
| Balance, September 30, 2006 | 3,238,081 | $ 11.72 |

The 3,238,081 outstanding stock options with a weighted average exercise price of $11.72 have a weighted average remaining contractual term of 4.12 years and an aggregate intrinsic value of $9.4 million. The total intrinsic value of options exercised in the fiscal year ended September 30, 2006 was $3.1 million. As of September 30, 2006, there were 3,117,973 options that were vested and expected to vest with a weighted average remaining contractual term of 4.1 years and an aggregate intrinsic value of $9.3 million.

For various price ranges, weighted average characteristics of outstanding stock options at September 30, 2006 were as follows:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of | Number Outstanding | Weighted Average Remaining | Weighted Average | Number Exercisable | Weighted Average |

| Exercise Prices | at 9/30/06 | Contractual Life | Exercise Price | at 9/30/06 | Exercise Price |
|---|---|---|---|---|---|
| $3.21 to $6.78 | 655,168 | 4.27 | $ 4.69 | 614,282 | $ 4.75 |
| $6.81 to $9.71 | 746,597 | 2.88 | 9.07 | 525,526 | 8.89 |
| $9.72 to $12.40 | 727,991 | 4.77 | 11.12 | 350,899 | 10.41 |
| $12.49 to $13.65 | 718,849 | 4.42 | 13.28 | 297,801 | 13.07 |
| $13.71 to $44.06 | 389,476 | 4.44 | 26.86 | 376,976 | 27.29 |
| | 3,238,081 | 4.12 | $ 11.72 | 2,165,484 | $ 11.74 |

The 2,165,484 exercisable stock options with a weighted average exercise price of $11.74 have a weighted average remaining contractual term of 4.03 years and an aggregate



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

13. Employee Stock Purchase and Stock Option Plans (continued)

intrinsic value of $7.9 million. The weighted average number of shares exercisable at September 30, 2005 and 2004 was 2,173,783 and 1,881,700, respectively. The weighted average exercise price was $11.73 and $11.84 at September 30, 2005 and 2004, respectively.

On October 1, 2005, the Company adopted Statement of Financial Accounting Standard No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123(R)"), which requires the measurement and recognition of all share-based payment awards made to employees and directors including stock options and employee stock purchases related to the ESPP based on estimated fair values. SFAS 123(R) supersedes the Company's previous accounting under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", for periods beginning in fiscal year 2006. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ("SAB 107") relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R). The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of October 1, 2005, the first day of the Company's 2006 fiscal year. The Company's Consolidated Financial Statements as of and for the fiscal year ended September 30, 2006 reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, the Company's Consolidated Financial Statements for prior periods have not been restated to include the impact of SFAS 123(R). Stock-based compensation expense recognized under SFAS 123(R) for the fiscal year ended September 30, 2006 was $2.5 million, net of income taxes. There was no stock-based compensation expense recognized during the fiscal years ended September 30, 2005 and September 30, 2004. SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period in the Company's Income Statement. Prior to the adoption of SFAS 123(R), the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB No. 25 as allowed under Statement of Financial

Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Under the intrinsic value method, no stock-based compensation expense had been recognized in the Company's Income Statement, because the exercise price of the Company's stock options granted to employees and directors equaled the fair market value of the underlying stock at the date of grant.

Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in the Company's Income Statement for fiscal year 2006 includes compensation expense for share-based payment awards granted prior to, but not yet vested as of September 30, 2005 based on the grant date fair value estimated in accordance with the pro forma provisions of SFAS 123 and compensation expense for the share-based payment awards granted subsequent to September 30, 2005 based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). Stock-based compensation expense recognized in the Company's Income Statement for the fiscal year 2006 is based on awards ultimately expected to vest and has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent



Table of Contents



**13. Employee Stock Purchase and Stock Option Plans (continued)**

periods if actual forfeitures differ from those estimates. In the Company's pro forma information required under SFAS 123 for periods prior to fiscal year 2006, forfeitures have been accounted for as they occurred.

The Company used the Black-Scholes option-pricing model ("Black-Scholes") as its method of valuation under SFAS 123(R) in fiscal year 2006 and a single option award approach. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Black-Scholes was also previously used for the Company's pro forma information required under SFAS 123 for periods prior to fiscal year 2006. The fair value of share-based payment awards on the date of grant as determined by the Black-Scholes model is affected by our stock price as well as other assumptions. These assumptions include, but are not limited to, the expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behaviors.

The weighted-average estimated fair value of employee and director stock options granted during the fiscal year ended September 30, 2006, 2005 and 2004 was $5.54, $4.76 and $6.43, respectively, using the Black Scholes model with the following weighted-average assumptions:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Expected volatility | 45.4% | 53.1% | 72.1% |
| Risk-free interest rate | 4.6% | 3.5% | 2.5% |
| Expected dividends | none | none | none |
| Expected term | 4.2 years | 4.1 years | 4.0 years |

For fiscal year 2006 the volatility assumption was derived using a 75% and 25% blend of two and four year historical volatility calculated as of the end of each fiscal quarter. For fiscal years 2005 and 2004 the volatility assumption was derived using two to three year historical volatilities of the Company's common stock. The risk-free rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The dividend yield assumption is based on the history and expectation of dividend payments. The estimated expected term represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and historical exercise patterns.



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

**13. Employee Stock Purchase and Stock Option Plans (continued)**

The following table summarizes stock-based compensation, including stock-based compensation expense recognized under the Company's ESPP, in accordance with SFAS 123(R) for the fiscal year ended September 30, 2006, which was allocated to the Company's income statement as follows:

| | Fiscal year ended September 30, 2006 |
|---|---|
| | (In thousands) |
| Cost of revenues - Products | $ 36 |
| Cost of revenues - Services | 334 |
| Stock-based compensation expense included in cost of revenues | 370 |
| Research and development | 551 |
| Selling and marketing | 866 |
| General and administrative | 1,691 |
| Stock based compensation expense included in operating expenses | 3,108 |
| Total stock-based compensation expense | 3,478 |
| Tax benefit | 933 |
| Stock-based compensation expense, net of tax | $ 2,545 |

Since the Company adopted SFAS 123(R) October 1, 2005 there was no stock-based compensation expense or tax benefit recorded on the Company's income statement for the fiscal years ended September 30, 2005 and 2004.

As of September 30, 2006, there was $4.5 million of total unrecognized compensation cost related to non-vested share-based compensation granted under the Company's stock option plans. The cost is expected to be recognized over a weighted average period of 2.4 years. As of September 30, 2006, there was $296 thousand of total unrecognized compensation cost related to non-vested share-based compensation under the Company's ESPP. The cost is expected to be recognized over a weighted average period of 0.4 years.

The Company does not have an active stock repurchase program. Stock options exercised and shares issued under the ESPP are newly issued shares.



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

**13. Employee Stock Purchase and Stock Option Plans (continued)**

The following table reflects net income and diluted earnings per share for the fiscal year ended September 30, 2006 compared with the proforma information for the fiscal years ended September 30, 2005 and 2004 had compensation cost been determined in accordance with the fair value-based method prescribed by SFAS No. 123.

| | Years ended September 30, | | |
|---|---|---|---|
| | 2006 | 2005 Proforma | 2004 Proforma |
| Net income, as reported for the prior period (1) | N/A | $ 10,235 | $ 5,123 |
| Stock-based compensation expense | $ 3,478 | 3,963 | 4,489 |
| Tax benefit | 933 | 1,251 | 1,796 |
| Stock-based compensation expense, net of tax (2) | $ 2,545 | $ 2,712 | $ 2,693 |
| Net income including the effect of stock-based compensation expense (3) | $ 9,661 | $ 7,523 | $ 2,430 |
| Earnings per share: | | | |
| Basic, as reported for the prior period (1) | | $ 0.50 | $ 0.29 |
| Diluted, as reported for the prior period (1) | | $ 0.48 | $ 0.28 |
| Basic, including the effect of stock-based compensation expense (3) | $ 0.46 | $ 0.37 | $ 0.14 |
| Diluted, including the effect of stock-based compensation expense (3) | $ 0.44 | $ 0.36 | $ 0.13 |

(1)

Net income and earnings per share for periods prior to fiscal year 2006 does not include stock-based compensation expense under SFAS 123 because the Company did not adopt the recognition provisions of SFAS 123.

(2)

Stock-based compensation expense for periods prior to fiscal year 2006 was calculated based on the pro forma application of SFAS 123.

(3)

Net income and earnings per share for periods prior to fiscal year 2006 represent pro forma information based on SFAS 123.



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

14. Deferred Compensation Plans

The Company's deferred compensation arrangements consist principally of a 401(k) plan, which covers substantially all U.S.-based employees who have met certain service requirements. Employees may contribute up to 15% of their pretax income and 10% on an after-tax basis (up to the maximum established by the IRS each year) to the plan. The Company may at its option contribute up to $0.50 for each $1.00 contributed by a participant to the plan, up to a maximum of 4% of the participant's annual compensation. Compensation expense for the years ended September 30, 2006, 2005 and 2004 was $1.1 million, $1.0 million and $964 thousand, respectively.

15. Concentration of Credit Risk

The Company's investment portfolio consists of short-term investment grade securities. At September 30, 2006, the Company had $6.2 million in U.S. banks in excess of insured limits and $30.6 million in uninsured foreign banks.

The Company sells a significant portion of its product through third-party distributors.

For fiscal year 2006, the telecommunications sector, retail sector, the public sector, and financial services sector represented 15 percent, 23 percent, 29 percent, and 10 percent of total revenues of the Company, respectively.

16. Segment Information

The Company's operations involve the design, development, marketing, licensing and support of software and data products, application development tools, and industry-specific solutions, together with a range of consulting, analytical, training and technical support services.

The Company conducts business globally and is managed geographically. The Company's management relies on an internal management accounting system. This system includes revenue and cost information by geographic location. Revenues are attributed to a geographic location based on the origination of the order from the customer. The Company's management makes financial decisions and allocates resources based on the information it receives from this internal system. Based on the criteria set forth in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", the Company has reportable segments by geography: the Americas, EMEA (Europe, the Middle East and Africa) and Asia-Pacific.



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

16. Segment Information (continued)

Geographic Segments

The Company's geographic segments are discussed below. Summarized financial information by geographic segment for 2006, 2005 and 2004, as taken from the internal management accounting system discussed above, is as follows (in thousands):

| | September 30, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Revenue: | | | |
| Americas | $ 81,983 | $ 72,491 | $ 69,388 |
| EMEA | 57,118 | 55,683 | 38,811 |
| Asia-Pacific | 26,394 | 21,250 | 16,474 |
| Total revenue | $ 165,495 | $ 149,424 | $ 124,673 |
| Operating income: | | | |
| Americas | $ 19,273 | $ 16,141 | $ 18,486 |
| EMEA | 16,312 | 17,271 | 11,562 |
| Asia-Pacific | 11,523 | 8,799 | 6,975 |
| Corporate adjustments | | | |
| Cost of revenues - product: | (36) | - | - |
| Cost of revenues - services | (334) | - | - |
| Research and development | (17,262) | (14,910) | (14,272) |
| Selling and marketing | (9,108) | (6,252) | (7,274) |
| General and administrative | (7,096) | (5,347) | (4,778) |
| Total operating income | $ 13,272 | $ 15,702 | $ 10,699 |
| Depreciation and amortization included in operating income consists of: | | | |
| Americas | $ 4,520 | $ 3,986 | $ 4,089 |
| EMEA | 2,351 | 2,599 | 1,779 |
| Asia-Pacific | 474 | 297 | 187 |

| | | | |
|---|---|---|---|
| Total depreciation and amortization | $ 7,345 | $ 6,882 | $ 6,055 |
| Capital expenditures: | | | |
| Americas | $ 1,794 | $ 2,480 | $ 2,010 |
| EMEA | 719 | 430 | 357 |
| Asia-Pacific | 345 | 201 | 346 |
| Total capital expenditures | $ 2,858 | $ 3,111 | $ 2,713 |
| Goodwill: | | | |
| Americas | $ 29,536 | $ 29,104 | $ 25,866 |
| EMEA | 18,406 | 17,208 | 16,658 |
| Asia-Pacific | 4,110 | 3,349 | 2,068 |
| Total goodwill | $ 52,052 | $ 49,661 | $ 44,592 |



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

16. Segment Information (continued)

The operating income by segment above differs from the amounts presented under accounting principles generally accepted in the United States of America because the Company does not allocate certain costs for research and development, marketing, and general and administrative activities to the geographic locations. Also included in the corporate adjustments above is the effect of SFAS 123(R), which the Company adopted on October 1, 2005 and does not allocate to the geographic locations. See Note 13 to the Notes to Financial Statements for further details. The table above reconciles the operating income by geographic segment to operating income as reported on the Income Statements by including adjustments for certain unallocated costs.

Enterprise-wide information is provided in accordance with SFAS No. 131. Geographic revenue information is based on the ordering location of the customer. Long-lived assets information is based on the physical location of the assets. Goodwill information is based on the location of the subsidiary from which the goodwill is associated.

The following is revenue and long-lived assets information for geographic locations.

| | September 30, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Revenue: | | | |

| | | | |
|---|---|---|---|
| U.S. | $ 69,007 | $ 60,712 | $ 58,885 |
| United Kingdom | 52,848 | 50,925 | 21,926 |
| All other countries | 43,640 | 37,787 | 43,862 |
| Total Revenue | $ 165,495 | $ 149,424 | $ 124,673 |
| Long-Lived Assets: | | | |
| U.S. | $ 47,379 | $ 48,878 | $ 45,999 |
| United Kingdom | 23,764 | 25,989 | 26,614 |
| All other countries | 15,875 | 12,650 | 10,677 |
| Total identifiable assets | $ 87,018 | $ 87,517 | $ 83,290 |

The Long-Lived Assets reported above differ from the Company's total assets as current assets and deferred income taxes are not included in long-lived assets above.

In 2006, 2005 and 2004 no single customer accounted for 10% or more of the Company's revenues.

75

---

Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

17. Acquisitions

Dimasi Acquisition

On August 1, 2005, through our wholly owned subsidiary, MapInfo Australia Pty. Ltd, we acquired certain assets and assumed certain liabilities of Dimasi Strategic Research Pty. Ltd., or Dimasi, a privately held company headquartered in Melbourne, Australia. Dimasi, an Australian market research company specializing in the retail and property sectors, provides various location analytics services including strategic reviews for shopping centers and stores, market/economic research, reviews of current retail performance, economic impact reports, retail store networks optimization and sales forecasting. The initial purchase price, including acquisition-related expense, was $2.7 million Australian dollars, or approximately $2.1 million U.S. dollars, subject to a working capital adjustment based upon the closing balance sheet. During the fourth quarter of fiscal year 2006, we paid $957 thousand Australian dollars, or $717 thousand U.S. dollars in contingent consideration to Dimasi based on the profitability of the acquired business in the first year following the closing. The purchase was completed with $2.7 million Australian dollars, or approximately $2.1 million U.S. dollars, in cash on hand, of which $600 thousand Australian dollars, or $456 thousand U.S. dollars, was included in our September 30, 2005 Consolidated Balance Sheets as "Restricted Cash." This represents the amount withheld pursuant to the acquisition agreement, which includes the working capital adjustment and the indemnification obligations of the seller. As of September 30, 2006, the amount remaining on the Balance Sheet as "Restricted Cash" for this withholding was $300 thousand Australian dollars, or $225 thousand U.S. dollars.

As of September 30, 2006, goodwill recorded as a result of the acquisition was approximately $2.0 million. Intangibles assets acquired, other than goodwill, totaled $745 thousand with a 3-year estimated weighted average useful life. Of the $745 thousand of acquired intangible assets, $525 thousand has been identified as technology intangibles (3-year estimated weighted average useful life), $91 thousand as customer intangibles (4-year estimated weighted average useful life), $53 thousand in trademarks (2-year estimated weighted average useful life), and miscellaneous intangibles of $76 thousand (5-year estimated weighted average useful life).

The acquisition is being accounted for as a purchase and, accordingly, we have included the results of operations in the financial statements effective August 1, 2005. The pro forma effects of the Dimasi acquisition on our income statement and balance sheet were not material. Twenty-four employees of Dimasi became employees of ours upon completion of the acquisition.

MarkeTech Acquisition

On June 2, 2005, we acquired substantially all of the assets and assumed certain liabilities of MarkeTech Systems, Inc., or MarkeTech, a privately held company headquartered in Raleigh, North Carolina. MarkeTech is a provider of software, data, and services for use by retail banks to enhance branch network sales and profitability. The purchase price, including acquisition-related expense, was approximately $5.6 million. The purchase was completed with $5.6 million in cash on hand, of which $855 thousand was included in our September 30, 2005 Consolidated Balance Sheet as "Restricted Cash." During the third quarter of fiscal year 2006, the purchase transaction was finalized. The restricted cash was disbursed, of which we received approximately



Table of Contents



17. Acquisitions (continued)

$290 thousand, resulting in a reduction of the original purchase price. We have no further obligations related to this transaction.

As of September 30, 2006, goodwill recorded as a result of the acquisition was $3.8 million. Intangibles assets acquired, other than goodwill, totaled $1.7 million with a 4-year estimated weighted average useful life. Of the $1.7 million of acquired intangible assets, approximately $1.1 million has been identified as technology intangibles (4-year estimated weighted average useful life), $470 thousand as customer intangibles (4-year estimated weighted average useful life), $80 thousand in trademarks (2-year estimated weighted average useful life), and miscellaneous intangibles of $45 thousand (2-year estimated weighted average useful life).

The acquisition is being accounted for as a purchase and, accordingly, we have included the results of operations in the financial statements effective June 2, 2005. The pro forma effects of the MarkeTech acquisition on our income statement and balance sheet were not material. Twenty-three employees of MarkeTech became employees of ours upon the acquisition.

GeoBusiness Acquisition

On February 17, 2005, through our wholly owned subsidiary, MapInfo UK Limited, we completed the acquisition of all of the outstanding shares of GeoBusiness Solutions Limited, or GeoBusiness, a privately held company based in Wendover, United Kingdom. GeoBusiness provides an established offering of specialized products and consultancy services in site location and customer analytics in the United Kingdom, particularly for the retail and leisure property markets. The initial purchase price, including acquisition related expenses, was 1.1million, or approximately $2.0 million, and was financed with cash on hand. In addition, we may pay up to 1.0 million, or approximately $1.9 million, in contingent consideration based on GeoBusiness' profitability over the two-year period following the acquisition. The total of GeoBusiness' net assets acquired was 265 thousand or approximately $500 thousand.

As of September 30, 2006, goodwill recorded as a result of the acquisition was approximately $863 thousand. Intangibles assets acquired, other than goodwill, totaled approximately $691 thousand with a 4-year estimated weighted average useful life. Of the approximately $691 thousand of acquired intangible assets, $403 thousand has been identified as customer-related intangibles (4-year estimated weighted average useful life), $240 thousand has been identified as technology-related intangibles (3-year estimated weighted average useful life), and $48 thousand as trademarks (2-year estimated weighted average useful life).

The acquisition is being accounted for as a purchase and, accordingly, we have included the results of operations in the financial statements effective February 17, 2005. The pro forma effects of the GeoBusiness acquisition on our income statement and balance sheet were not material. Twenty-one employees of GeoBusiness became employees of ours upon completion of the acquisition.



Table of Contents

MapInfo Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

18. Issuance of Additional Common Stock

On April 2, 2004 the Company completed a follow-on public offering of its common stock. The Company sold 4,312,500 shares of common stock at an offering price of $11.00. Net proceeds, after the underwriters' discount and offering expenses, were approximately $44.2 million.



Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON

ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

1. *Evaluation of Disclosure Controls and Procedures.*

Our management, with the participation of our chief executive officer and chief financial offer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2006. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2006, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Controls and Procedures

. No change in our internal control over financial reporting occurred during the fiscal quarter ended September 30, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

2. *Management's Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and





- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatement. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment, management concluded that, as of September 30, 2006, our internal control over financial reporting is effective based on those criteria.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2006 has been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, as stated in their report included under Item 8.



---

Table of Contents

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The response to this item is contained in part under the caption "Executive Officers of the Company" in Part I hereof, and the remainder is contained in our Proxy Statement for the 2007 Annual Meeting of Stockholders (the "2007 Proxy Statement") under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics, a code of ethics that applies to all of our employees. This code of ethics is publicly available on our website at www.mapinfo.com/company/investors/governance. If we make any substantive amendments to the code of ethics or grant any waiver, including any implicit waiver, from a provision of the code to our Chief Executive Officer, Chief Financial Officer or Corporate Controller, we will disclose the nature of such amendment or waiver on our website or in a current report on Form 8-K.

**ITEM 11. EXECUTIVE COMPENSATION**

The response to this item is contained in our 2007 Proxy Statement under the captions "Director Compensation," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation," and "Certain Employment Agreements" and is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND**

MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The response to this item is contained in our 2007 Proxy Statement under the caption "Beneficial Ownership of Common Stock" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The response to this item is contained in our 2007 Proxy Statement under the caption "Certain Employment Agreements" and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The response to this item is contained in our 2007 Proxy Statement under the caption "Ratification of Selection of Independent Auditors" and is incorporated herein by reference.



---



PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a)

See Item 8 for Index to Consolidated Financial Statements

(1) Consolidated Financial Statement Schedule for the years ended September 30, 2006, 2005, and 2004 included in Item 15(d):

Schedule VIII - Valuation and Qualifying Accounts

(2) Schedules other than the schedule listed above have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and the notes thereto.

(b)

See the attached Exhibit Index and the exhibits referenced therein.

**(c)** See attached Financial Statement Schedule.

Table of Contents

Listing of Exhibits

| EXHIBIT NO. | DESCRIPTION |
|---|---|
| 3.1 | Certificate of Incorporation of the Registrant, as Amended. (A) |
| 3.2 | Amended By-Laws of the Registrant, as of September 30, 2002. (A) |
| 4 | Specimen Certificate for shares of the Registrant's Common Stock. (A) |
| 10.1+ | 1993 Stock Incentive Plan, as amended to date. (B) |
| 10.2+ | Form of Non-Qualified Stock Option Agreement issued pursuant to 1993 Stock Option Plan, as amended. (A) |
| 10.3+ | 1993 Director Stock Option Plan, as amended to date. (B) |
| 10.4+ | Form of Non-Qualified Stock Option Agreement issued pursuant to 1993 Director Stock Option Plan, as amended. (A) |
| 10.5 | 2002 Stock Incentive Plan (C) |
| 10.6 | Form of Non-Qualified Stock Option Agreement issued pursuant to 2002 Stock Option Plan (N) |
| 10.7 | 2005 Stock Incentive Plan (N) |
| 10.8 | Form of Non-Qualified Stock Option Agreement issued pursuant to 2005 Stock Option Plan (N) |
| 10.9 | First Modification Agreement dated December 14, 2005 to Credit Facility by and between the Registrant and Citizen's Bank N.A.(formerly Charter One Bank. N.A.) (N) |
| 10.10 | Guaranty dated December 14, 2005 by and between the Registrant and Citizen's Bank N.A. (formerly Charter One Bank. N.A.) (N) |
| 10.11 | Guaranty dated August 3, 2005 by and between the Registrant and JPMorgan Chase Bank, NA. (N) |

| | |
|---|---|
| 10.12 | Second Amendment dated August 3, 2005 to Amended and Restated Credit Facility dated March 31, 2003 by and between the Registrant and JPMorgan Chase Bank, NA subsequently amended March 31, 2004. (M) |
| 10.13+ | Amendment No. 1 to Employment Agreement dated May 6, 2005 by and between the Registrant and Mark P. Cattini. (L) |
| 10.14+ | Amendment No. 1 to Employment Agreement dated May 6, 2005 by and between the Registrant and Michael J. Hickey. (L) |



Table of Contents

| | |
|---|---|
| 10.15+ | Amendment No. 1 to Employment Agreement dated May 6, 2005 by and between the Registrant and K. Wayne McDougall. (L) |
| 10.16+ | Amendment No. 1 to Employment Agreement dated May 6, 2005 by and between the Registrant and George Moon. (L) |
| 10.17+ | Employment Agreement dated October 1, 2004 by and between the Registrant and Daniel T. Gerron. (K) |
| 10.18+ | Employment Agreement dated October 1, 2004 by and between the Registrant and James D. Scott. (K) |
| 10.19+ | Employee Intellectual Property, Confidential Information, and Non-Competition Agreement dated as of December 8, 2004 by and between the Registrant and Daniel T. Gerron. (K) |
| 10.20+ | Employee Intellectual Property, Confidential Information, and Non-Competition Agreement dated as of January 31, 2005 by and between the Registrant and James D. Scott. (K) |
| 10.21+ | Employment Agreement dated October 1, 2003 by and between the Registrant and Mark Cattini. (J) |
| 10.22+ | Employment Agreement dated December 7, 2006 by and between the Registrant and John C. Cavalier. (O) |
| 10.23+ | Employment Agreement dated October 1, 2003 by and between the Registrant and K. Wayne McDougall. (J) |
| 10.24+ | |

| | |
|---|---|
| | Employment Agreement dated October 1, 2003 by and between the Registrant and Michael Hickey. (J) |
| 10.25+ | Employment Agreement dated October 1, 2003 by and between the Registrant and George Moon (J) |
| 10.26+ | Employee Intellectual Property, Confidential Information, and Non-Competition Agreement dated as of December 1, 1998 by and between the Registrant and Mark Cattini. (J) |
| 10.27+ | Employee Patent, Confidential Information, and Non-Competition Agreement dated September 30, 1996 by and between the Registrant and John C. Cavalier. (F) |
| 10.28+ | Employee Intellectual Property, Confidential Information, and Non-Competition Agreement dated as of September 4, 2002 by and between the Registrant and K. Wayne McDougall. (H) |
| 10.29+ | Employee Intellectual Property, Confidential Information, and Non-Competition Agreement dated as of June 3, 1995 by and between the Registrant and Michael Hickey. (J) |



---

Table of Contents

| | |
|---|---|
| 10.30+ | Employee Intellectual Property, Confidential Information, and Non-Competition Agreement by and between the Registrant and George Moon. (J) |
| 10.31 | Two Global View Lease Agreement dated as of January 10, 1995 between Rensselaer Polytechnic Institute and the Registrant. (F) |
| 10.32 | Ground Lease Agreement between Rensselaer Polytechnic Institute and the Registrant dated January 31, 2001 (B) |
| 10.33 | First Amendment to Ground Lease Agreement between Rensselaer Polytechnic Institute and the Registrant dated January 31, 2001. (B) |
| 10.34 | Second Amendment to Ground Lease Agreement between Rensselaer Polytechnic Institute and the Registrant dated January 31, 2001. (B) |
| 10.35 | Amended and Restated Mortgage and Security Agreement dated December 18, 2002 by and between Rensselaer County Industrial Development Agency and MapInfo Realty, LLC (I) |
| 10.36 | |

| | |
|---|---|
| | Amended and Restated Promissory Note dated December 18, 2002 by and between MapInfo Realty, LLC and Charter One Bank, F.S.B. (I) |
| 10.37 | Amended and Restated Guaranty Agreement dated December 18, 2002 by and between the Registrant and Charter One Bank, F.S.B. (I) |
| 10.38 | Amended and Restated Credit Facility dated March 31, 2003 by and between the Registrant and JPMorgan Chase Bank, NA (C). |
| 10.39 | First Amendment dated March 31, 2004 to Amended and Restated Credit Facility dated March 31, 2003 by and between the Registrant and JPMorgan Chase Bank, NA. (C) |
| 10.40 | Promissory note dated March 31, 2004 by and between the Registrant and JPMorgan Chase Bank, NA. (C) |
| 10.41 | Credit Facility dated September 29, 2004 by and between the Registrant and Charter One Bank. N.A. (C) |
| 10.42 | Promissory Note dated September 29, 2004 by and between the Registrant and Charter One Bank. N.A. (C) |
| 14 | Code of Business Conduct and Ethics |
| 21 | Subsidiaries of the Registrant. |
| 23 | Consent of PricewaterhouseCoopers LLP |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a). |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a). |



Table of Contents

| | |
|---|---|
| 32.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(b). |
| 32.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(b). |

(A) Incorporated herein by reference from the exhibits to the Form 10-K for the year-ended September 30, 2002.

(B) Incorporated herein by reference from the exhibits to the Form 10-Q for the quarter ended March 31, 2001.

(C) Incorporated herein by reference from the exhibits to the Form 10-K for the year ended September 30, 2004.

(D) Incorporated herein by reference from the exhibits to the Form 10-K for the year ended September 30, 1998.

(E) Incorporated herein by reference from the exhibits to the Form 10-Q for the quarter ended June 30, 2002.

(F) Incorporated herein by reference from the exhibits to the Form 10-K for the year ended September 30, 2001.

(G) Incorporated herein by reference from the exhibits to the Form 10-Q for the quarter ended June 30, 2003.

(H) Incorporated herein by reference from the exhibits to the Form 10-Q for the quarter ended March 31, 2003.

(I) Incorporated herein by reference from the exhibits to the Form 10-Q for the quarter ended December 31, 2002.

(J) Incorporated herein by reference from the exhibits to the Form 10-K for the year ended September 30, 2003.

(K) Incorporated herein by reference from the exhibits to the Form 10-Q for the quarter ended December 31, 2004.

(L) Incorporated herein by reference from the exhibits to the Form 10-Q for the quarter ended March 31, 2005.

(M) Incorporated herein by reference from the exhibits to the Form 10-Q for the quarter ended June 30, 2005.

(N) Incorporated herein by reference from the exhibits to the Form 10-K for the year ended September 30, 2005.

(O) Incorporated herein by reference from the Form 8-K filed on December 12, 2006.

\+ Management contract or compensation plan or arrangement required to be filed pursuant to Item 15(c) of Form 10-K.



Table of Contents

MAPINFO CORPORATION

ANNUAL REPORT ON FORM 10-K

YEAR ENDED SEPTEMBER 30, 2006

ITEM 15(d)

FINANCIAL STATEMENT SCHEDULE

87

Table of Contents

MapInfo Corporation and Subsidiaries

Valuation and Qualifying Accounts

Schedule VIII

(Dollars in thousands)

| Column A | Column B | Column C | | Column D | Column E |
|---|---|---|---|---|---|
| Description | Balance at Beginning of period | Additions charged to expense, net | Additions charged to other accounts | Deductions | Balance at end of period |
| Year ended September 30, 2004: | | | | | |
| Deducted from asset accounts: | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Allowance for doubtful accounts | | | | | |
| and sales returns | $ 2,182 | (67) | (204)(2) | (87)(1) | $ 1,824 |
| Year ended September 30, 2005: | | | | | |
| Deducted from asset accounts: | | | | | |
| Allowance for doubtful accounts | | | | | |
| and sales returns | $ 1,824 | 100 | (2)(2) | (342)(1) | $ 1,580 |
| Year ended September 30, 2006: | | | | | |
| Deducted from asset accounts: | | | | | |
| Allowance for doubtful accounts | | | | | |
| and sales returns | $ 1,580 | 434 | (119)(2) | (371)(1) | $ 1,524 |

(1)

Uncollectible accounts written off.

(2)

Allowance for sales returns.



Table of Contents

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

MAPINFO CORPORATION

(Registrant)

By: /s/ MARK P. CATTINI
Mark P. Cattini
President and Chief Executive Officer

Date: December 14, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| NAME | TITLE | DATE |
|---|---|---|
| /s/ MARK P. CATTINI<br>Mark P. Cattini | President and Chief Executive Officer<br>(Principal Executive Officer) | December 14, 2006 |
| /s/ JOHN C. CAVALIER<br>John C. Cavalier | Chairman of the Board | December 14, 2006 |
| /s/ K. WAYNE MCDOUGALL<br>K. Wayne McDougall | Vice President, Treasurer<br>and Chief Financial Officer<br>(Principal Financial and<br>Accounting Officer) | December 14, 2006 |
| /s/ JONI KAHN<br>Joni Kahn | Director | December 14, 2006 |
| /s/ THOMAS L. MASSIE<br>Thomas L. Massie | Director | December 14, 2006 |
| /s/ SIMON J. OREBI GANN<br>Simon J. Orebi Gann | Director | December 14, 2006 |
| /s/ ROBERT SCHECHTER<br>Robert Schechter | Director | December 14, 2006 |

89

Table of Contents