

Form 10-Q

United States Securities And Exchange Commission  
Washington, D.C. 20549

Quarterly Report pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934 for the fiscal quarter ended May 31, 2000

Transition Report pursuant to Section 13 or 15(D) of the Securities Exchange Act Of 1934 for the transition period from \_\_\_\_ to \_\_\_\_  
Commission File Number: 1-11869

FactSet Research Systems Inc.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

13-3362547  
(I.R.S. Employer Identification No.)

One Greenwich Plaza, Greenwich, Connecticut  
(Address of principal executive office)

06830  
(Zip Code)

Registrant's telephone number, including area code: (203) 863-1500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of each class .....	Outstanding at May 31, 2000 .....
Common Stock, par value \$.01	32,538,980

FactSet Research Systems Inc.

Form 10-Q  
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FactSet Research Systems Inc.  
CONSOLIDATED STATEMENTS OF INCOME

In thousands, except per share data and unaudited	Three Months Ended		Nine Months Ended	
	2000	May 31, 1999(1)	2000	May 31, 1999(1)
Subscription Revenues				
Commissions	\$12,349	\$10,091	\$35,225	\$29,613
Cash fees	21,946	16,360	61,839	45,903
Total subscription revenues	34,295	26,451	97,064	75,516
Operating Expenses				
Cost of services	11,415	9,503	33,537	27,067
Selling, general, and administrative	12,700	9,641	35,418	27,594
Non-recurring retirement bonus (see Note 5)	2,750	-	2,750	-
Total operating expenses	26,865	19,144	71,705	54,661
Income from operations	7,430	7,307	25,359	20,855
Other income	958	461	2,345	1,406
Income before income taxes	8,388	7,768	27,704	22,261
Provision for income taxes	3,238	2,922	10,833	8,580
Non-recurring tax benefit	-	-	(1,119)	-
Total income taxes	3,238	2,922	9,714	8,580
Net income	\$5,150	\$4,846	\$17,990	\$13,681
Basic earnings per common share	.16	.16	.56	.45
Diluted earnings per common share	.15	.14	.52	.41
Weighted average common shares (Basic)	32,431	31,148	31,933	30,588
Weighted average common shares (Diluted)	34,505	34,090	34,525	33,190

(1) Diluted earnings per share and weighted average common shares give retroactive effect to the 2-for-1 stock split that occurred on February 4, 2000.

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

FactSet Research Systems Inc.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In thousands and unaudited	Three Months Ended		Nine Months Ended	
	2000	1999	2000	1999
Net income	\$5,150	\$4,846	\$17,990	\$13,681
Unrealized loss on investments, net of taxes	(55)	-	(81)	-
Comprehensive income	\$5,095	\$4,846	\$17,909	\$13,681

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

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
FactSet Research Systems Inc.

ASSETS

In thousands and unaudited	May 31, 2000	August 31, 1999
.....		
CURRENT ASSETS		
Cash and cash equivalents	\$42,596	\$31,837
Investments	22,874	22,934
Receivables from clients and clearing brokers	18,070	14,399
Receivables from employees	761	614
Prepaid taxes	2,223	-
Deferred taxes	5,585	6,437
Other current assets	418	413
	-----	-----
Total current assets	92,527	76,634
.....		
LONG-TERM ASSETS		
Property, equipment, and leasehold improvements, at cost	64,314	55,334
Less accumulated depreciation	(42,656)	(33,951)
	-----	-----
Property, equipment, and leasehold improvements, net	21,658	21,383
.....		
OTHER LONG-TERM ASSETS		
Deferred taxes	2,601	1,785
Other assets	1,771	1,742
	-----	-----
TOTAL ASSETS	\$118,557	\$101,544
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

In thousands, except per share data and unaudited	May 31, 2000	August 31, 1999
.....		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$4,934	\$6,657
Accrued compensation	8,453	7,558
Deferred fees and commissions	7,667	6,964
Dividend payable	976	788
Current taxes payable	-	1,522
	-----	-----
Total current liabilities	22,030	23,489
.....		
NON-CURRENT LIABILITIES		
Deferred rent	517	441
	-----	-----
Total liabilities	22,547	23,930
.....		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value, 10,000,000 shares authorized, none issued	-	-
Common stock	329	316
Capital in excess of par value	18,029	14,160
Retained earnings	79,702	64,452
Treasury stock	(1,976)	(1,321)
Unrealized (loss) gain on investments, net of tax	(74)	7
	-----	-----
Total stockholders' equity	96,010	77,614
.....		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$118,557	\$101,544
	=====	=====

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

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FactSet Research Systems Inc.

In thousands and unaudited	Nine Months Ended May 31,	2000	1999
.....			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income		\$17,990	\$13,681
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	8,705		6,835
Deferred tax provision (benefit)	36		(446)
Accrued ESOP contribution	938		750
	-----		-----
Net income adjusted for non-cash operating items	27,669		20,820
Changes in working capital			
Receivable from clients and clearing brokers	(3,671)		(3,589)
Other receivables	-		(2,374)
Prepaid taxes	(2,223)		(435)
Accounts payable and accrued expenses	(1,723)		2,059
Accrued compensation	957		(1,011)
Deferred fees and commissions	703		1,969
Current taxes payable	(1,522)		(2,843)
Other working capital accounts, net	(97)		576
	-----		-----
Net cash provided by operating activities	20,093		15,172
.....			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investments, net	(21)		-
Purchases of property, equipment, and leasehold improvements	(8,980)		(12,793)
	-----		-----
Net cash used in investing activities	(9,001)		(12,793)
.....			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend payments	(2,353)		(733)
Repurchase of common stock from employees	(655)		(437)
Proceeds from stock option exercises	1,708		2,369
Income tax benefits from stock option exercises	967		6,747
	-----		-----
Net cash (used in) provided by financing activities	(333)		7,946
.....			
Net increase in cash and cash equivalents	10,759		10,285
Cash and cash equivalents at beginning of period	31,837		37,631
	-----		-----
Cash and cash equivalents at end of period	\$42,596		\$47,916
	=====		=====

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FactSet Research Systems Inc.

May 31, 2000

(Unaudited)

### 1. ORGANIZATION AND NATURE OF BUSINESS

FactSet Research Systems Inc. (the "Company") provides online integrated database services to the financial community. The Company's revenues are derived from subscription charges. Solely at the option of each client, these charges may be paid either in commissions on securities transactions (in which case subscription revenues are recorded as commissions) or in cash (in which case subscription revenues are recorded as cash fees).

To facilitate the receipt of subscription revenues on a commission basis, clients direct trades to the Company's wholly owned subsidiary, FactSet Data Systems, Inc. ("FDS"). FDS is a member of the National Association of Securities Dealers, Inc. and is a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934.

Subscription revenues paid in commissions are derived from securities transactions introduced and cleared on a fully disclosed basis primarily through two clearing brokers. A client paying subscription charges on a commission basis directs the clearing broker, at the time the client executes a securities transaction, to credit the commission on the transaction to FDS's account.

FactSet Limited and FactSet Pacific, Inc. are wholly owned subsidiaries of the Company and are U.S. corporations. FactSet Limited has foreign branch operations in London, and FactSet Pacific has foreign branch operations in Tokyo, Hong Kong, and Sydney.

### 2. ACCOUNTING POLICIES

The accompanying interim consolidated financial statements of the Company have been prepared in conformity with generally accepted accounting principles, consistent in all material respects with those applied in the Annual Report on Form 10-K for the fiscal year ended August 31, 1999. Interim financial information is unaudited, but reflects all normal adjustments which are, in the opinion of management, necessary to present fairly the results of operation and financial position for the interim periods presented. The interim financial statements should be read in connection with the audited financial statements (including the footnotes thereto) in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1999.

The significant accounting policies of the Company and its subsidiaries are summarized below.

#### Financial Statement Presentation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany activity and balances have been eliminated from the consolidated financial statements.

Cost of services is composed of employee compensation and benefits for the applications engineering and consulting groups, clearing fees, data costs, computer maintenance and depreciation expenses, and communication costs. Selling, general, and administrative expenses include employee compensation and benefits for the sales, product development and various other support departments, promotional expenses, rent, amortization of leasehold improvements, depreciation of furniture and fixtures, office expenses, professional fees, and miscellaneous expenses.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Significant estimates have been made in areas including valuation allowances for deferred tax assets, depreciable lives of fixed assets, accrued liabilities, income tax provision and allowances for doubtful accounts. Actual results could differ from those estimates.

#### Revenue Recognition

Subscription charges are quoted to clients on an annual basis, but are earned monthly as services are provided. Subscription revenues recorded as commissions and subscription revenues recorded as cash fees are each recognized as earned each month, based on one-twelfth of the annual subscription charge quoted to each client. Amounts that have been earned but not yet paid through the receipt of commissions on securities transactions or through cash payments are reflected on the Consolidated Statements of Financial Condition as receivables from clients. Amounts that have been received through commissions on securities transactions or through cash payments that are in excess of earned subscription revenues are reflected on the Consolidated Statements of Financial Condition as deferred cash fees and commissions.

#### Clearing Fees

When subscription charges are paid on a commission basis, the Company incurs clearing fees, which are the charges imposed by the clearing brokers used to execute and settle clients' securities transactions. Clearing fees are recorded when subscription revenues recorded as commissions are earned.

#### Cash and Cash Equivalents

Cash and cash equivalents consists of demand deposits and money market investments with maturities of 90 days or less.

#### Investments

Investments have original maturities greater than 90 days and are classified as available-for-sale securities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES, and are reported at market value. Unrealized gains and losses on available-for-sale securities are recognized as a separate component of stockholders' equity, net of tax.

#### Property, Equipment, and Leasehold Improvements

Computers and related equipment are depreciated on a straight-line basis over estimated useful lives of three years. Depreciation of furniture and fixtures is recognized using the double declining balance method over estimated useful lives of five years. Leasehold improvements are amortized on a straight-line basis over the terms of the related leases or estimated useful lives of the improvements, whichever period is shorter.

#### Taxes

Deferred taxes are determined by calculating the estimated future tax consequences associated with differences between financial accounting and tax bases of assets and liabilities. A valuation allowance is established to the extent management considers it more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred taxes from income tax law changes is recognized immediately upon enactment. The deferred tax provision is derived from changes in deferred taxes on the balance sheet and reflected on the Consolidated Statements of Income as a component of income taxes. The Company records deferred taxes for such items as accrued compensation and other liabilities; deferred cash fees and commissions; deferred rent; and property, equipment, and leasehold improvements, net of depreciation and amortization. Included in income taxes for the nine months ended May 31, 2000 was a non-recurring tax benefit of \$1.1 million from adjustments to prior years' federal and state income tax returns.

Income tax benefits derived from the exercise of non-qualified stock options or the disqualifying disposition of incentive stock options are recorded directly to capital in excess of par value.

Included in accounts payable and accrued expenses are accrued taxes other than income taxes of \$1.8 million and \$3.7 million at May 31, 2000 and August 31, 1999, respectively.

#### Earnings Per Share

The computation of basic earnings per share in each year is based on the weighted average number of common shares outstanding. The weighted average number of common shares outstanding includes shares issued to the Company's employee stock ownership plan at the date authorized by the Board of Directors. Earnings per share and number of shares outstanding give retroactive effect for the 2-for-1 stock split announced on January 13, 2000 and distributed on February 4, 2000, for all years presented. Diluted earnings per share is based on the weighted average number of common shares and common share equivalents outstanding. Shares available pursuant to grants made under the Company's stock option plans are included as common share equivalents using the treasury stock method.

#### Stock-Based Compensation

In January 2000, the Company's shareholders approved the Year 2000 Employee Stock Option Plan. Under this plan, stock options to purchase up to 4,000,000 shares of Common Stock, after adjustment for the 2-for-1 stock split, were made available for grant to employees of the Company and its subsidiaries selected by the Company's Compensation Committee.

The Company follows the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION.

#### New Accounting Pronouncement

In March 1998, Statement of Position 98-1, ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE DEVELOPED OR OBTAINED FOR INTERNAL USE, was issued. The Company adopted this statement effective September 1, 1999. The impact on the Company's results of operations and financial position was not material.

In December 1999, Staff Accounting Bulletin ("SAB") No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS, was issued. The Company's is evaluating accounting policies pertaining to SAB No. 101 and does not expect the impact of implementation to be material.



### 3. COMMON STOCK AND EARNINGS PER SHARE

Shares of common stock and related amounts give retroactive effect to the 2-for-1 stock split, effected as a stock dividend, that occurred on February 4, 2000.

Shares of common stock outstanding were as follows:

In thousands and unaudited	2000	1999
Balance at September 1,	31,538	29,020
Additional stock issued for ESOP	50	72
Exercise of stock options	975	2,221
Repurchase of common stock	(24)	(20)
Balance at May 31,	32,539	31,293

A reconciliation between the weighted average shares outstanding used in the basic and diluted EPS computations is as follows:

In thousands, except per share data and unaudited	Net Income (Numerator)		Shares (Denominator)		Per Share Amount	
	2000	1999	2000	1999	2000	1999
For the Three Months Ended						
Basic EPS						
Net income available to common stockholders	\$5,150	\$4,846	32,431	31,148	\$0.16	\$0.16
Diluted EPS						
Dilutive effect of stock options	-	-	2,074	2,942		
Net income available to common stockholders	\$5,150	\$4,846	34,505	34,090	\$0.15	\$0.14
For the Nine Months Ended						
Basic EPS						
Net income available to common stockholders	\$17,990	\$13,681	31,933	30,588	\$0.56	\$0.45
Diluted EPS						
Dilutive effect of stock options	-	-	2,592	2,602		
Net income available to common stockholders	\$17,990	\$13,681	34,525	33,190	\$0.52	\$0.41

#### 4. SEGMENTS

The Company follows Statement of Financial Accounting Standards ("SFAS") No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION. The Company has two reportable segments based on geographic operations: the United States and International. Each segment markets online integrated database services to investment managers, investment banks, and other financial services professionals. The U.S. segment consists of services provided to financial institutions throughout North America while the International segment consists of services provided to investment professionals primarily in Europe and the Pacific Rim. The International segment includes operations from four branch offices that are primarily staffed by sales and consulting personnel. Segment revenues reflect direct sales of products and services to clients based on their geographic location. There are no intersegment or intercompany sales. Each segment records compensation, travel, office, and other direct expenses related to its employees. The accounting policies of the segments are the same as those described in Note 2, "Accounting Policies."

##### Segment Information

In thousands and unaudited	U.S.	International	Total
.....			
For Three Months Ended May 31, 2000			
Revenues from external clients	\$28,455	\$5,840	\$34,295
Segment operating profit*	5,238	2,192	7,430
Total assets at May 31, 2000	110,089	8,468	118,557
Capital expenditures	738	1,076	1,814
.....			
For Three Months Ended May 31, 1999			
Revenues from external clients	\$22,693	\$3,758	\$26,451
Segment operating profit*	5,936	1,371	7,307
Total assets at May 31, 1999	86,442	6,556	92,998
Capital expenditures	2,133	1,498	3,631
.....			
For the Nine Months Ended May 31, 2000			
Revenues from external clients	\$81,312	\$15,752	\$97,064
Segment operating profit*	19,104	6,255	25,359
Capital expenditures	6,862	2,118	8,980
.....			
For the Nine Months Ended May 31, 1999			
Revenues from external clients	\$64,885	\$10,631	\$75,516
Segment operating profit*	16,464	4,391	20,855
Capital expenditures	10,628	2,165	12,793
.....			

\* Expenses are not allocated or charged between segments. Expenditures associated with the Company's computer centers, software development costs, clearing fees, data fees, income taxes, and corporate headquarter charges are recorded by the U.S. segment.

Two separate regions (Europe and the Pacific Rim) were aggregated to form the International segment. The Europe and Pacific Rim segments have similar market characteristics and each offers identical products and services through a common distribution method to financial services institutions.

#### 5. NON-RECURRING RETIREMENT BONUS

On May 22, 2000, the Company announced the retirement of Howard E. Wille as Chief Executive Officer of the Company. He will also retire as Chairman of the Board effective August 31, 2000 and will remain a director of the Company. In recognition of his service and contribution for the past 22 years, the Company awarded Mr. Wille a retirement bonus, to be paid upon his retirement as Chairman of the Board. This resulted in a non-recurring charge of \$2.75 million in the third quarter.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS

#### Revenues

For the third quarter ended May 31, 2000, revenues increased 29.7% to \$34.3 million versus \$26.5 million for the same period a year ago. Revenues during the first nine months of fiscal 2000 increased 28.5% from \$75.5 million to \$97.1 million. Subscriptions by existing users to additional services and databases, as well as the net addition of 97 new clients over the past twelve months drove revenue growth.

Quarterly revenues from international operations were up 55.4% and totaled \$5.8 million. Revenue growth from European operations was 55.5% over the same period a year ago and Asia Pacific revenues grew by 55.3% for the same period. Overseas revenues over the first nine months of fiscal 2000 increased 48.2% to \$15.8 million versus the comparable period of fiscal 1999. Revenues from international sources accounted for over 16% of consolidated revenues for both the third fiscal quarter and the first nine months of fiscal 2000.

#### Client Retention and Commitments

Client retention for fiscal 2000, including the third quarter, continued at a rate in excess of 95%. As of May 31, 2000, total client commitments were \$142.5 million, a 29.5% increase over the \$110.1 million reported a year ago. The addition of new clients, additional workstations by existing clients and new products and services aimed at portfolio managers and investment bankers were among the key contributors to the commitment increase. During the quarter, the number of clients using FactSet rose to 717. At May 31, 2000, approximately 160 clients, representing nearly 1,200 users subscribed to FactSet's portfolio analytics applications. ("Commitments" at a given point in time represent the forward-looking revenues for the next 12 months from all services currently being supplied to clients.) In addition, during the quarter, a leading investment bank agreed to purchase 950 ProActive Publishing workstations for installation on a global basis. Internationally, commitments totaled \$25 million, representing approximately 18% of total commitments. The average commitment from clients increased 12% to \$199,000. As a matter of policy, the Company generally does not seek to enter into written contracts with its clients and clients can add or delete services at any time. Commitments have historically grown in virtually every month.

Password count, which represents the number of FactSet users, at the end of May 2000 was approximately 22,000, up 22% from the comparable period in 1999.

#### Operating Expenses

##### Cost of Services

Cost of services for the quarter ended May 31, 2000 increased 20.1% to \$11.4 million compared to the prior year period. For the first nine months of the year, cost of services increased 23.9% to \$33.5 million. The increase in cost of service expenses for the third quarter was primarily the result of higher employee compensation. For the nine months ended May 31, 2000, cost of services increased largely due to higher employee compensation, clearing fees, and depreciation expenses.

##### Employee Compensation and Benefits

Employee compensation and benefits for the applications engineering and consulting groups increased \$1.1 million for the quarter and rose \$3.1 million for the nine months ended May 31, 2000. Employee additions and additional merit compensation drove this increase. In order to sustain the continuing growth and the expanding client base of the Company, the applications engineering and consulting groups have increased staff by 17% since the third quarter of fiscal 1999.

##### Clearing Fees

Clearing fees rose \$1.3 million for the first nine months of the fiscal year. This increase was the result of higher client commission payments and clearing rates emanating from clients paying through international trades.

##### Depreciation Expense

For the quarter ended May 31, 2000, depreciation expense growth was relatively flat. Increased depreciation expense related to new capital spending was partially offset by a decrease in depreciation expense caused by equipment becoming fully depreciated in the third fiscal quarter of 2000. For the nine months ended May 31, depreciation expense grew by \$1.4 million over the same period a year ago. This increase is the result of higher levels of computer and communication equipment spending to support FactSet's growing user base. Capital spending for the first nine months of fiscal 2000 was \$9 million.

#### Selling, General, and Administrative

During the third quarter of fiscal 2000, selling, general, and administrative (SG&A) expenses grew 31.7% over the comparable period in the prior year, totaling \$12.7 million. During the first nine months of fiscal 2000, SG&A expenses rose 28.4% to \$35.4 million. The increase in SG&A expenses for the third quarter was primarily the result of higher employee compensation and travel, offset by lower taxes other than income taxes. For the nine months ended May 31, 2000, SG&A increased largely due to higher employee compensation, travel and entertainment expense, and rent expense and amortization of leasehold improvements.

#### Employee Compensation and Benefits

During the third quarter of fiscal 2000, employee compensation and benefits for the sales, product development, and various other support departments grew by \$1.8 million. For the nine months ended May 31, 2000, employee compensation rose \$3.6 million. These increases were the result of employee headcount growth of 34% during the 12 months ended May 31, 2000.

#### Travel and Entertainment Expense

Travel and entertainment (T&E) expense increased \$540,000 for the quarter ended May 31, 2000. For the nine months ended May 31, 2000, T&E grew \$1.3 million. The growth in T&E expense for both periods resulted from employees servicing an expanding global client base.

#### Taxes Other Than Income Taxes

In the third fiscal quarter of 2000, the Company reached a settlement with a state tax authority, thereby reducing the expense for taxes other than income taxes for the third quarter of fiscal 2000 versus the same period a year ago. The settlement did not have a negative impact on the Company's results of operations or financial position, as the payment made on settlement was charged to existing reserves.

#### Rent Expense and Amortization of Leasehold Improvements

For the nine months ended May 31, 1999, rent and amortization expense increased \$1.1 million. These increases were the result of office openings in New York, Stamford, Hong Kong and Sydney, and office expansions in San Mateo and Tokyo.

#### Non-recurring Retirement Bonus

In the third quarter of fiscal 2000, the Company recorded a non-recurring charge of \$2.75 million in connection with a retirement bonus awarded by the Board of Directors to Howard E. Wille, Co-Founder, Chairman of the Board, and former CEO. Mr. Wille retired as CEO on May 22, 2000 and will retire as Chairman of the Board effective August 31, 2000. Mr. Wille will remain a director of the Company.

#### Foreign Currency

More than 95% of the Company's revenues are collected in U.S. dollars. The net monetary assets held by the Company's foreign offices during fiscal 2000 were immaterial. As a result, the Company's exposure to foreign currency fluctuations was insignificant.

#### Operating Margin

Operating margin for the quarter ended May 31, 2000, was 21.7%, down from 27.6% a year ago. Not including the non-recurring retirement bonus, the operating margin was 29.7% for the quarter, an increase of over two percent. Operating margin for the nine months ended May 31, 2000 was 26.1%, down from 27.6% from the same period a year ago. Not including the non-recurring retirement bonus, the operating margin was 29.0% for the nine months ended May 31, an increase of over one percent. These increases were largely the result of three factors; first, the reduction in depreciation expense as a percent of revenues, second, the elimination of the need to accrue for taxes other than income taxes, both of which are discussed above, and third, declining data costs.

#### Income Taxes

Income tax expense for the first nine months of fiscal 2000 was \$9.7 million. Included in this amount was a non-recurring tax benefit of \$1.1 million, recorded in the second quarter. Without this one-time benefit, the effective tax rate would have been 39% for both nine-month periods ended May 31, 1999 and 2000.

#### Liquidity

For the nine months ended May 31, 2000, cash generated by operating activities was \$20.1 million compared to \$15.2 million in the year earlier period. This \$4.9 million increase was the result of higher levels of profitability, higher levels of depreciation and amortization expense, and income tax refunds received in the second quarter, offset by a reduction in accounts payable and accrued expenses.

#### Capital Expenditures

The Company's capital expenditures totaled \$9.0 million for the first nine months of fiscal 2000. Capital expenditures related primarily to purchases of computer and communications equipment, including the purchase of a new computer integration phone system. When installed, this system will allow for more efficient servicing of incoming client support calls. Currently, each of the Company's two data centers consists of six Compaq Alpha GS 140 systems, containing a total of 48 700-megahertz/64 bit CPUs, 96 GB of RAM and over 3.3 terabytes of disk space. Total capital spending for the fiscal year is expected to be close to \$15 million.

#### Financing Operations and Capital Needs

At quarter end, cash, cash equivalents and investments represented 55% or nearly \$66 million of the Company's total assets. All of the Company's capital and operating expense requirements have been financed by cash from operations. The Company has no outstanding indebtedness.

#### Revolving Credit Facilities

The Company is a party to two revolving credit facilities totaling \$25 million for working capital and general corporate purposes. The Company has not drawn on either facility and has no present plans to utilize any portion of the available credit.

#### Forward-Looking Factors

##### CASH DIVIDEND

On May 15, 2000, the Company announced that its Board of Directors approved a regular quarterly cash dividend of \$0.03. The regular quarterly cash dividend was paid on June 21, 2000 to Common Stockholders of record at the close of business on May 31, 2000.

##### RECENT MARKET TRENDS

In the ordinary course of business, the Company is exposed to financial risks involving equity, foreign currency markets, and interest rates.

Throughout the past three fiscal years, the U.S. and European equity markets have achieved record highs. Traditionally, there has been little correlation between results of the Company's operations and the performance of global equity markets. Nevertheless, a prolonged decline in the various worldwide markets could negatively impact a large number of the Company's clients (investment management firms and investment banks) and increase the probability of personnel reductions among FactSet's existing and potential clients.

The fair market value of the Company's investment portfolio at May 31, 2000 was \$22.9 million. The fair market value of the portfolio is impacted by fluctuations in interest rates. The portfolio of fixed income investments is managed to preserve principal. Under the investment guidelines established by the Company, third-party managers construct portfolios to achieve high levels of credit quality, liquidity, and diversification. The weighted average duration of short-term investments included in the Company's portfolios is not to exceed 18 months. Investments such as puts, calls, strips, short sales, straddles, options, futures, or investments on margin are not permitted by the Company's investment guidelines. For these reasons, in addition to the fact that the Company has no outstanding debt, financial exposure to changes in interest rates is expected to continue to be minimal.

All investments are held in U.S. dollars and over 95% of the Company's revenues are paid in U.S. dollars. As a result, exposure to movements in foreign currency prices is expected to continue to be insignificant.

#### Income Taxes

In the normal course of business, the Company's tax filings are subject to audit by federal and state tax authorities. Audits by two taxing authorities are currently ongoing. There is inherent uncertainty contained in the audit process but the Company has no reason to believe that such audits will result in additional tax payments that would have a material adverse effect on its results of operation or financial position.

## FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains forward-looking statements that are based on management's current expectations and beliefs. The phrases "commitments", "will be", "is likely", "will account", "could negatively", "likelihood", "may incorrectly", "may result", "believes", "is expected", "may make", "will continue", "are anticipated", "may depend", "should continue", "could result", "will have", "is not expected", "believes that", are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions which are difficult to predict ("future factors"). Therefore, actual results may differ materially from what is expressed or forecasted in such forward-looking statements. The Company undertakes no obligation to publicly update any forward-looking statements as a result of new information, future events, or otherwise.

Future factors include the ability to hire qualified personnel; maintenance of the Company's leading technological position; the impact of global market trends on the Company's revenue growth rate and future results of operations; the negotiation of contract terms supporting new and existing databases; the successful resolution of ongoing audits by tax authorities; the continued employment of key personnel; the absence of U.S. or foreign governmental regulation restricting international business; and the sustainability of historical levels of profitability and growth rates in cash flow generation.

Part II OTHER INFORMATION

- Item 1. Legal Proceedings: None
- Item 2. Changes in Securities: None
- Item 3. Defaults Upon Senior Securities: None
- Item 4. Submission of Matters to a Vote of Security Holders: None
- Item 5. Other Information: None
- Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits  
Exhibit Number

- 3.1.....Restated Certificate of Incorporation (1)
- 3.2.....By-laws
- 4.1.....Form of Common Stock (1)
- 10.1.....Form of Employment Agreement between the Company  
and Charles J. Snyder (1)
- 10.2.....Letter of Agreement between the Company and Ernest S. Wong (1)
- 10.31.....Amendment to 364-Day Credit Agreement, dated April 3, 2000
- 10.32.....Three Year Credit Agreement(2)
- 10.33.....Retirement Agreement between the Company and Howard E. Wille
- 27.....Financial Data Schedules

(1)Incorporated by reference to the Company's Registration Statement on Form S-1 (File No.333-4238)

(2)Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the first quarter of fiscal year 1999.

(b) Reports on Form 8-K:

On May 26, 2000, the Company filed a report on Form 8-K which announced the retirement of Chief Executive Officer, Howard E. Wille. A copy of the Company's press release announcing this matter was attached and incorporated by reference therein.

SIGNATURE

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.

FACTSET RESEARCH SYSTEMS INC.

Date: July 14, 2000 BY: /s/ ERNEST S. WONG  
Ernest S. Wong,  
Senior Vice President, Chief Financial Officer  
and Secretary

FACTSET RESEARCH CORPORATION

BY-LAWS

ARTICLE I

Offices

Section 1. Registered Office. The location of the Corporation's registered office within the State of Delaware, the name of the registered agent of the Corporation at such office and the post office address to which the Secretary of State of the State of Delaware shall mail a copy of process in any action or proceeding against the Corporation that may be served upon him, shall be in each case as stated in the Certificate of Incorporation.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

Meetings of Stockholders

Section 1. Annual Meeting. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on such date as may be fixed from time to time by resolution of the Board of Directors, at such place within or without the State of Delaware as shall be designated by the Board of Directors.

Section 2. Special Meeting. Special meetings of the stockholders, for any purpose or purposes, may be called at any time only by the Chairman of the Board or the President of the Corporation or the majority of the Board of Directors. Such meetings shall be held at such time and at such place within or without the State of Delaware as shall be specified in the notice of the meeting.

Section 3. Notice of Meetings. Notice of the place, date and time of the holding of each annual and special meeting of the stockholders and the purpose or purposes thereof shall be given personally or by mail in a postage prepaid envelope to each stockholder entitled to vote at such meeting, not less than ten nor more than sixty days before the date of such meeting, and, if mailed, it shall be directed to such stockholder at his address as it appears on the records of the Corporation, unless he shall have filed with the Secretary of the Corporation a written request that notices to him be mailed to some other address, in which case it shall be directed to him at such other address. Any such notice for any meeting other than the annual meeting of stockholders shall indicate that it is being issued at the direction of the Chairman of the Board, President or a majority of the Board of Directors, which notice shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy and shall not, at the beginning of such meeting, object to the transaction of any business because the meeting is not lawfully called or convened, or who shall, either before or after the meeting, submit a signed waiver of notice, in person or by proxy. Unless the Board shall fix a new record date for an adjourned meeting, notice of such adjourned meeting need not be given if the time and place to which the meeting shall be adjourned were announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 4. Quorum. Except as otherwise required by law or the Certificate of Incorporation, at all meetings of the stockholders, the presence in person or by proxy of the holders of a majority of the shares of stock of the Corporation issued and outstanding and entitled to vote shall constitute a quorum for the transaction of any business. In the absence of a quorum, the holders of a majority of the shares of stock present in person or by proxy and entitled to vote, or if no stockholder entitled to vote is present, then any officer of the Corporation, may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 5. Organization. At each meeting of the stockholders, the Chairman of the Board, if any, or in his absence or inability to act, the President, or in his absence or inability to act, any person chosen by a majority of those stockholders present or represented, shall act as chairman of the meeting. The Secretary, or, in his absence or inability to act, an Assistant Secretary or any other officer appointed by the chairman of the meeting, shall act as secretary of the meeting and keep the minutes thereof.



Section 6. Order of Business. The order of business at all meetings of the stockholders shall be as determined by the chairman of the meeting.

Section 7. Voting. Except as otherwise provided by statute or the Certificate of Incorporation, each holder of record of shares of stock of the Corporation having voting power shall be entitled at each meeting of the stockholders to one vote for every share of such stock standing in his name on the record of stockholders of the Corporation (a) on the date fixed by the Board of Directors as the record date for the determination of the stockholders who shall be entitled to notice of and to vote at such meeting; or (b) if such record date shall not have been so fixed, then at the close of business on the day next preceding the day on which notice thereof shall be given; or (c) if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. Each stockholder entitled to vote at any meeting of stockholders may authorize another person or persons to act for him by a proxy signed by such stockholder or his attorney-in-fact. Any such proxy shall be delivered to the secretary of such meeting at or prior to the time designated in the order of business for so delivering such proxies. No proxy shall be valid after the expiration of three years from the date thereof, unless the proxy provides for a longer period. Every proxy shall be revocable at the pleasure of the stockholder executing it, except in those cases where an irrevocable proxy is permitted by law. Except as otherwise required by law, the Certificate of Incorporation or these By-laws, any corporate action to be taken by vote of the stockholders shall be authorized by a majority of the total votes cast at a meeting of stockholders by the holders of shares present in person or represented by proxy and entitled to vote on such action. Unless required by statute, or determined by the chairman of the meeting to be advisable, the vote on any question need not be by written ballot. On a vote by written ballot, each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy, and shall state the number of shares voted.

Section 8. List of Stockholders. The officer who has charge of the stock ledger of the Corporation shall prepare and make or cause to be prepared and made, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 9. Inspectors. The Board of Directors may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If inspectors shall not be so appointed or if any of them shall fail to appear or act, the chairman of the meeting may, and on the request of any stockholder entitled to vote thereat shall, appoint one or more inspectors. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares outstanding, the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as inspector of an election of directors need not be stockholders.

RESOLVED, that Section 10 of Article II of the BY-laws of the Corporation be amended to read as follows:

Section 10. Action Without a Meeting by Written Consent. No action required to be taken or which may be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, except on written consent, setting forth the action so taken, signed by the holders of record of at least 80% of the outstanding shares entitled to vote thereon.

## ARTICLE III

### Board of Directors

Section 1. General Powers. The property, business and affairs of the Corporation shall be managed by the Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by statute or the Certificate of Incorporation or these By-Laws directed or required to be exercised or done by the stockholders.

Section 2. Number, Classification, Term of Office, Qualifications and Election. The Board of Directors shall initially consist of two directors. Thereafter, the number of directors of the Corporation shall be determined by resolution approved by at least two-thirds of the then authorized number of directors, but after the annual meeting of stockholders in 1987, shall not be more than fifteen nor less than three. The Board of Directors shall be divided into three classes as nearly equal in number as possible, with the term of office of one class expiring each year. The terms of office of the directors elected at the annual meeting of stockholders in 1987 and initially classified shall be as follows: directors of the first class shall hold office for a term expiring at the next succeeding annual meeting; directors of the second class shall hold office for a term expiring at the second succeeding annual meeting; and directors of the third class shall hold office for a term expiring at the third succeeding annual meeting. At each annual meeting of stockholders after the annual meeting in 1987, directors elected to succeed the class of directors whose terms expire at such annual meeting shall be elected to hold office for a term expiring at the third succeeding annual meeting after their election. When the number of directors is changed, any newly created directorships or any decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as possible. Each director shall hold office for the specified term and until his successor shall be duly elected and qualified, or until his death, or until he shall have resigned or he shall have been removed, as hereinafter provided in these By-Laws, or as otherwise provided by statute or by the Certificate of Incorporation. All the directors shall be of full age. Directors need not be stockholders. Except as otherwise required by statute or the Certificate of Incorporation or these By-Laws, directors to be elected at each annual meeting of stockholders shall be elected by a plurality of the votes cast at the meeting by the holders of shares present in person or represented by proxy and entitled to vote for the election of directors.

Section 3. Annual Meeting. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of the stockholders, on the same day and at the same place where such annual meeting shall be held. Notice of such meeting need not be given. Such meeting may be held at any other time or place (within or without the State of Delaware) which shall be specified in a notice thereof given as hereinafter provided in Section 6 of this Article III, or in a waiver of notice thereof.

Section 4. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places within or without the State of Delaware as the Board of Directors may from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at the same hour on the next succeeding business day. Notice of regular meetings of the Board of Directors need not be given except as otherwise required by statute or these By-Laws.

Section 5. Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, the President or any two directors of the Corporation and shall be held at such time and at such place within or without the State of Delaware as shall be specified in the notice of meeting or waiver thereof.

Section 6. Notice of Meetings. Notice of each special meeting of the Board of Directors (and of each regular meeting for which notice shall be required) shall be given by the Secretary as hereinafter provided in this Section 6, in which notice shall be stated the time and place of the meeting. Notice of each such meeting shall be delivered to each director, either personally or by telephone, telegraph, cable, or wireless, at least twenty-four hours before the time at which such meeting is to be held, or shall be mailed to each director by first-class mail postage prepaid, addressed to him at his residence or usual place of business, at least three days before the day on which such meeting is to be held. Notice of any such meeting need not be given to any director who shall, either before or after the meeting, submit a signed waiver of notice or who shall attend such meeting without objecting, at the beginning of such meeting, to the transaction of any business because the meeting is not lawfully called or convened. Except as otherwise specifically required by these By-Laws, a notice or waiver of notice of any regular or special meeting of the Board of Directors need not state the purpose or purposes of such meeting.

Section 7. Quorum and Manner of Acting. Except as provided in Section 5 of Article IX of these By-Laws, a majority of the directors shall be present in person at any meeting of the Board of Directors in order to constitute a quorum for the transaction of business at such meeting, and, except as otherwise expressly required by statute or the Certificate of Incorporation, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum at any meeting of the Board of Directors, a majority of the directors present thereat, or if no director be present, the Secretary, may adjourn such meeting to another time and place, or such meeting, unless it be the annual meeting of the Board of Directors, need not be held. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. Except as provided in Section 11 of this Article III, Article IV and Section 4 of Article IX of these By-Laws and as otherwise specifically authorized by resolution of the Board of Directors, the directors shall act only as a Board of Directors and the individual directors shall have no power as such.

Section 8. Organization. At each meeting of the Board of Directors, the Chairman of the Board, if any, or, in his absence or inability to act, the President, or, in his absence or inability to act, another director chosen by a majority of the directors present, shall act as chairman of the meeting and preside thereat. The minutes of the meeting shall be recorded by any officer of the Corporation present and designated by the chairman.

Section 9. Resignations. Any director of the corporation may resign at any time by giving written notice of his resignation to the Board of Directors, the Chairman of the Board, the President or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 10. Removal of Directors. Except as otherwise provided in the Certificate of Incorporation or in these By-Laws, any director may be removed, but only for cause, at any time, by the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote for the election of directors of the Company at a meeting of the stockholders called and held for that purpose.

Section 11. Vacancies. Except as otherwise required by statute or by the Certificate of Incorporation, during the intervals between annual meetings of stockholders, any vacancies and any newly-created directorships resulting from an increase in the authorized number of directors shall be filled by a majority vote of the directors then in office, whether or not a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next election of the class for which such directors shall have been chosen and until their successors shall be duly elected and qualified, unless sooner displaced. If there are no directors in office, then a special meeting of stockholders for the election of directors may be called and held in the manner provided by statute. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Section 12. Compensation. The Board of Directors or a committee of the Board designated by it shall have authority to fix the compensation, including without limitation fees and reimbursement of expenses, of directors for services to the Corporation in any capacity; provided, however, that no such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 13. Action without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 14. Participation in Meetings by Telephone and Other Equipment. Members of the Board of Directors or of any committee thereof may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section shall constitute presence in person at such meeting.

## ARTICLE IV

### Executive and Other Committees

Section 1. Executive and Other Committees. The Board of Directors may, by a resolution passed by a majority of the whole Board, designate an Executive Committee, to consist of three or more directors of the Corporation, and one or more other committees, each such other committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of the Executive Committee or such other committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. The Executive Committee, while the Board of Directors is not in session, shall have and may exercise, and any such other committee to the extent provided in the resolution of the Board of Directors, shall have and may exercise, all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the By-Laws of the Corporation; and, unless the resolution or By-Laws expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Each committee shall keep written minutes of its proceedings and shall report such minutes to the Board of Directors when required. All such proceedings shall be subject to revision or alteration by the Board of Directors; provided, however, that rights of third parties shall not be prejudiced by such revision or alteration. The Board of Directors, by action of a majority of the entire Board, may at any time fill vacancies in, change the membership of, or dissolve any such committee.

Section 2. Executive Committee: General. Regular meetings of the Executive Committee shall be held at such times and places, within or without the State of Delaware, as a majority of such Committee may from time to time by resolution determine. Special meetings of the Executive Committee may be called at the request of any member thereof and may be held at such times and places, within or without the State of Delaware, as such Committee may from time to time by resolution determine or as shall be specified in the respective notices or waivers of notice thereof. Notice of regular meetings of such Committee need not be given except as otherwise required by statute or these By-Laws. Notice of each special meeting of such Committee shall be given to each member of such Committee in the manner provided for in Section 6 of Article III of these By-Laws. Subject to the provisions of this Article IV, the Executive Committee, by resolution of a majority of such Committee, shall fix its own rules of procedure. A majority of the Executive Committee shall be present in person at any meeting of the Executive Committee in order to constitute a quorum for the transaction of business at such meeting, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of the Executive Committee. The members of the Executive Committee shall act only as a committee, and the individual members shall have no power as such.

Section 3. Other Committees: General. A majority of any committee may fix its rules of procedure, determine its action, and fix the time and place, within or without the State of Delaware, of its meetings, unless the Board of Directors shall otherwise by resolution provide. Notice of such meetings shall be given to each member of the committee in the manner provided for in Section 6 of Article III of these By-Laws. Nothing in this Article IV shall be deemed to prevent the Board of Directors from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board.

## ARTICLE V

### Officers

Section 1. Number and Qualifications. The officers of the Corporation shall include a Chief Executive Officer, a President, an Executive Vice President, one or more Vice Presidents, a Secretary and a Treasurer. Any two or more offices may be held by the same person. Such officers shall be elected from time to time by the Board of Directors, each to hold office until the meeting of the Board following the next annual meeting of the stockholders, or until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall have resigned or until he shall have been removed, as hereinafter provided in these By-Laws. The Board of Directors may from time to time appoint such other officers (including a Chairman of the Board and one or more Assistant Treasurers and Assistant Secretaries) and such agents as it may deem necessary or desirable for the business of the Corporation. The Board of Directors may from time to time authorize any principal officer or committee to appoint, and to prescribe the authority and duties of, any such subordinate officers or agents. Each of such other officers and agents shall have such authority, perform such duties, and hold office for such period, as are provided in these By-Laws or as may be prescribed by the Board of Directors or by the principal officer or committee appointing such officer or agent.

Section 2. Resignations. Any officer of the Corporation may resign at any time by giving written notice of his resignation to the Board of Directors, the Chairman of the Board, if any, the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3. Removal. Any officer or agent of the Corporation may be removed, either with or without cause, at any time, by the vote of the majority of the entire Board of Directors at any meeting of the Board, or, except in the case of an officer or agent elected or appointed by the Board, by any principal officer or committee upon whom such power of removal may be conferred by the Board.

Section 4. Vacancies. A vacancy in any office, whether arising from death, resignation, disqualification, removal or any other cause, may be filled for the unexpired portion of the term of the office which shall be vacant, in the manner prescribed in these By-Laws for the regular election or appointment to such office.

Section 5. Chairman of the Board. The Chairman of the Board, if elected, shall, if present, preside at all meetings of the stockholders and the Board of Directors and shall be an ex officio member of all committees of the Board and, in general, shall have such other powers and perform such other duties as usually pertain to the office of the Chairman of the Board or as from time to time may be assigned to him by the Board of Directors. At the discretion of the Board of Directors, the Chairman of the Board, if elected, may be the chief executive officer of the Corporation and, if so appointed by the Board of Directors, shall have general and active supervision and direction over the business and affairs of the Corporation and over its officers, subject, however, to the control of the Board of Directors.

Section 6. The President. The President shall be the chief operating officer of the Corporation and shall have general and active supervision and direction over the ordinary business operations and affairs of the Corporation and over its officers, subject, however, to the supervision and direction of the Chief Executive Officer of the Corporation and to the control of the Board of Directors. In general, the President shall have such other powers and perform such other duties as usually pertain to the office of the President and chief operating officer, or as from time to time may be assigned to him by the Board of Directors.

Section 6.1. Chief Executive Officer. The Chief Executive Officer of the Corporation shall have general and active supervision and direction over the business and affairs of the Corporation and over its officers, subject, however, to the control of the Board of Directors. In general, the Chief Executive Officer shall have such other powers and perform such other duties as usually pertain to the office of the chief executive officer, or as from time to time may be assigned to him by the Board of Directors;

Section 7. Executive Vice President. The Executive Vice President shall have such powers and perform such duties as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, if any, or the President.

Section 8. Treasurer. The Treasurer shall:

(a) have charge and custody of, and be responsible for, all the funds and securities of the Corporation;

(b) keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and have control of all books of account of the Corporation;

(c) cause all moneys and other valuables to be deposited to the credit of the Corporation in such depositaries as may be designated by the Board of Directors;

(d) receive, and give receipts for, moneys due and payable to the Corporation from any source whatsoever;

(e) disburse the funds of the Corporation and supervise the investment of its funds as ordered or authorized by the Board of Directors, taking proper vouchers therefor;

(f) render to the Chairman of the Board, if any, the President, the Board or any committee thereof, whenever required, an account of the financial condition of the Corporation and of his transactions as Treasurer;

(g) in general, have such other powers and perform such other duties as usually pertain to the office of Treasurer or as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, if any, or by the President.

Section 9. Other Vice Presidents. Each other Vice President shall have such powers and perform such duties as usually pertain to his office or as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, if any, or the President.

Section 10. Assistant Treasurers. At the request of the Treasurer or in case of the absence or inability to act of the Treasurer, the Assistant Treasurer, or if there be more than one, the Assistant Treasurer designated by the Board of Directors or, in the absence of such designation, by the Chairman of the Board, if any, or the President, shall perform all the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. In general, each Assistant Treasurer shall have such other powers and perform such other duties as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, if any, the President or the Treasurer.

Section 11. Secretary. The Secretary shall:

(a) keep, or cause to be kept, in one or more books provided for the purpose, the minutes of all meetings of the Board of Directors, of the committees of the Board and of the stockholders;

(b) see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law;

(c) be custodian of the records and the seal of the Corporation and affix and attest the seal to all stock certificates of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal;

(d) see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and

(e) in general, have such other powers and perform such other duties as usually pertain to the office of Secretary or as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, if any, or the President.

Section 12. Assistant Secretaries. At the request of the Secretary or in case of his absence or inability to act, the Assistant Secretary, or if there be more than one, the Assistant Secretary designated by the Board of Directors or, in the absence of such designation, by the Chairman of the Board, if any, or the President, shall perform all the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary. In general, each Assistant Secretary shall have such other powers and perform such other duties as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, if any, the President or the Secretary.

Section 13. Officers' Bonds or Other Security. If required by the Board of Directors, any officer of the Corporation shall give a bond for the faithful performance of his duties and the return to the Corporation of any property in his possession or control which is the property of the Corporation, for such term and in such amount and with such surety or sureties as the Board may require.

Section 14. Compensation. The compensation of the officers of the Corporation for their services as such officers shall be fixed from time to time by the Board of Directors or a committee of the Board designated by it, and no officer

of the Corporation shall be prevented from receiving compensation by reason of the fact that he is also a director of the Corporation.

## ARTICLE VI

### Checks, Drafts, Bank, Accounts, Etc.

Section 1. Checks, Drafts, etc. All checks, drafts, bills of exchange or other orders for the payment of money out of the funds of the Corporation, and all notes or other evidences of indebtedness of the Corporation shall be signed in the name and on behalf of the Corporation by such person or persons and in such manner as shall from time to time be authorized by the Board of Directors.

Section 2. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board of Directors may from time to time designate or as may be designated by any officer or officers of the Corporation to whom such power of designation may from time to time be delegated by the Board of Directors. For the purpose of deposit and for the purpose of collection for the account of the Corporation, checks, drafts and other orders for the payment of money which are payable to the order of the Corporation may be endorsed, assigned and delivered by any officer or agent of the Corporation.

Section 3. General and Special Bank Accounts. The Board of Directors may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositaries as the Board may designate or as may be designated by any officer or officers of the Corporation to whom such power of designation may from time to time be delegated by the Board of Directors. The Board of Directors may make such special rules and regulations with respect to such bank accounts, not inconsistent with provisions of these By-Laws, as it may deem expedient.

Section 4. Proxies in Respect of Securities of Other Corporations. Unless otherwise provided by resolution adopted by the Board of Directors, the Chairman of the Board, if any, the President or any Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation in the name and on behalf of the Corporation to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, or to consent in writing in the name of the Corporation as such holder to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.



## ARTICLE VII

### Shares and Their Transfer - Examination of Books

Section 1. Stock Certificates. Every holder of stock of the Corporation shall be entitled to have a certificate, in such form as shall be approved by the Board of Directors, certifying the number and class of shares of stock of the Corporation owned by him. The certificates representing shares of the respective classes of stock shall be numbered in order of their issue and shall be signed in the name of the Corporation by the Chairman of the Board, if any, or the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, and sealed with the seal of the Corporation (which seal may be a facsimile, engraved or printed). Any or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 2. Books of Account and Record of Stockholders. The books and records of the Corporation may be kept at such places, within or without the State of Delaware, as the Board of Directors may from time to time determine. The stock record books and the blank stock certificate books shall be kept by the Secretary or by any other officer or agent designated by the Board of Directors.

Section 3. Transfers of Shares. Transfers of shares of stock of the Corporation shall be made on the stock records of the Corporation only upon authorization by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a transfer agent or transfer clerk, and on surrender of the certificate or certificates for such shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. Except as otherwise provided by law, the Corporation shall be entitled to recognize the exclusive right of a person in whose name any share or shares stand on the record of stockholders as the owner of such share or shares for all purposes, including without limitation the rights to receive dividends or other distributions and to vote as such owner, and the Corporation may hold any such stockholder of record liable for calls and assessments and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in any such share or shares on the part of any other person, whether or not it shall have express or other notice thereof. Whenever any transfers of shares shall be made for collateral security and not absolutely, and both the transferor and transferee request the Corporation to do so, such fact shall be stated in the entry of the transfer.

Section 4. Regulations. The Board of Directors may make such additional rules and regulations, not inconsistent with these By-Laws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer agents or one or more transfer clerks and one or more registrars and may require all certificates for shares of stock to bear the signature or signatures of any of them.

Section 5. Lost, Destroyed or Mutilated Certificates. The holder of any certificate representing shares of stock of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of such certificate, and the Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it which the owner thereof shall allege to have been lost, stolen or destroyed or which shall have been mutilated, and the Board of Directors may, in its discretion, require such owner or his legal representatives to give the Corporation and/or any agent of the Corporation designated by it a bond in such sum, limited or unlimited, and in such form and with such surety or sureties as the Board in its absolute discretion shall determine, to indemnify the Corporation and/or such agent against any claim that may be made against it on account of the alleged loss theft, or destruction of any such certificate, or the issuance of a new certificate. Anything herein to the contrary notwithstanding, the Board of Directors, in its absolute discretion, may refuse to issue any such new certificate, except pursuant to legal proceedings under the laws of the State of Delaware.

Section 6. Stockholder's Right of Inspection. Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours of business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records, and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the Corporation at its registered office in the State of Delaware or at its principal place of business.

Section 7. Fixing of Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall be not more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

## ARTICLE VIII

### Dividends

Subject to the provisions of the Certificate of Incorporation relating thereto, if any, dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Subject to the provisions of the Certificate of Incorporation, dividends may be paid in cash, in property or in shares of the capital stock of the Corporation.

Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose or purposes as the Board of Directors shall determine to be in the interest of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

## ARTICLE IX

### Indemnification

Section 1. Right to Indemnification. The Corporation shall, to the fullest extent permitted by applicable law as then in effect, indemnify any person (the "Indemnitee") who was or is involved in any manner (including, without limitation, as a party or a witness) or was or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceeding by or in the right of the Corporation to procure a judgement in its favor)(a "Proceeding") by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise (including, without limitation, service with respect to any employee benefit plan), whether the basis of any such Proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, against all expenses, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) actually and reasonably incurred by him in connection with such Proceeding. The right to indemnification conferred in this Article IX shall include the right to receive payment in advance of any expenses incurred by the Indemnitee in connection with such Proceeding, consistent with applicable law as then in effect. All right to indemnification conferred in this Article IX, including such right to advance payments and the evidentiary, procedural and other provisions of this Article IX, shall be a contract right. The Corporation may, by action of its Board of Directors, provide indemnification for employees, agents, attorneys and representatives of the Corporation with up to the same scope and extent as provided for officers and directors.

Section 2. Insurance, Contracts and Funding. The Corporation may purchase and maintain insurance to protect itself and any person who is, was or may become an officer, director, employee, agent, attorney or representative of the Corporation or, at the request of the Corporation, an officer, director, employee, agent, attorney or representative of another corporation or entity, against any expense, liability or loss asserted against him or incurred by him in connection with any Proceeding in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such expense, liability or loss under the provisions of this Article IX or otherwise. The Corporation may enter into contracts with any director, officer, employee, agent, attorney or representative of the Corporation, or any person serving as such at the request of the Corporation for another corporation or entity, in furtherance of the provisions of Article TENTH of the Certificate of Incorporation or this Article IX and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification of any person entitled thereto.

Section 3. Indemnification; Not Exclusive Right. The right of indemnification provided in this Article IX shall not be exclusive of any other rights to which any person seeking indemnification may otherwise be entitled under any provision of the Certificate of Incorporation, By-law or agreement or otherwise. The provisions of this Article IX shall inure to the benefit of the heirs and legal representatives of any person entitled to indemnity under this Article IX and shall be applicable to all Proceedings, whether arising from acts or omissions occurring before or after the adoption of this Article IX. No amendment or repeal of any provision of this Article IX shall remove, abridge or adversely affect any right of indemnification or any other benefits of the Indemnitee under the provisions of this Article IX with respect to any Proceeding involving any act or omission which occurred prior to such amendment.

Section 4. Advancement of Expenses; Procedures; Presumptions and Effect of Certain Proceedings; Remedies. In furtherance, but not in limitation, of the provisions of the Certificate of Incorporation or the foregoing provisions of this Article IX, the following procedures, presumptions and remedies shall apply with respect to advancement of expenses and the right to indemnification under the Certificate of Incorporation or this Article IX:

(a) Advancement of Expenses. All reasonable expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding shall be advanced to the Indemnitee by the Corporation within 20 days after the receipt by the Corporation of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements reasonably shall evidence the expenses incurred by the Indemnitee and, if required by law at the time of such advance, shall include or be accompanied by an undertaking by or on behalf of the Indemnitee to repay the amounts advanced if it should ultimately be determined that the Indemnitee is not entitled to be indemnified against such expense pursuant to this Article IX.

(b) Procedure for Determination of Entitlement to Indemnification. (i) To obtain indemnification, an Indemnitee shall submit to the Chairman of the Board, if any, the President or Secretary of the Corporation a written request, including such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnitee's entitlement to indemnification shall be made not later than 60 days after receipt by the Corporation of the written request for indemnification together with the Supporting Documentation. The Chairman of the Board, if any, President or Secretary of the Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that the Indemnitee has requested indemnification.

(ii) The Indemnitee's entitlement to indemnification shall be determined in one of the following ways: (A) by a majority vote of the Disinterested Directors (as hereinafter defined) (or the Disinterested Director, if only one); (B) by a written opinion of Independent Counsel (as hereinafter defined) if (x) a Change of Control (as hereinafter defined) shall have occurred and the Indemnitee so requests or (y) there is no Disinterested Director or a majority of the Disinterested Directors (or the Disinterested Director, if only one) so directs; (C) by the stockholders of the Corporation (but only if a majority of the Disinterested Directors (or the Disinterested Director, if only one) determines that the issue of entitlement to indemnification should be submitted to the stockholders for their determination); or (D) as provided in Section 4(c) of this Article IX.

(iii) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 4(b)(ii) of this Article IX, a majority of the Disinterested Directors (or the Disinterested Director, if only one) shall select the Independent Counsel, but only an Independent Counsel to which the Indemnitee does not reasonably object; provided, however, that if a Change of control shall have occurred, the Indemnitee shall select such Independent Counsel, but only an Independent Counsel to which the Board of Directors does not reasonably object.

(c) Presumptions and Effect of Certain Proceedings. Indemnitee shall be presumed to be entitled to indemnification upon submission of a request for indemnification together with the Supporting Documentation in accordance with Section 4(b)(i) of this Article IX, and thereafter the Corporation shall have the burden of proof to overcome that presumption in reaching a contrary determination. In any event, if the person or persons empowered under Section 4(b) of this Article IX to determine entitlement to indemnification shall not have been appointed or shall not have made a determination within 60 days after receipt by the Corporation of the request therefor together with the Supporting Documentation, the Indemnitee shall be deemed to be entitled to indemnification. With regard to the right to indemnification for expenses, if and to the extent that the Indemnitee has been successful on the merits or otherwise in any Proceeding, or if and to the extent that the Indemnitee was not a party to the Proceeding or if a Proceeding was terminated without a determination of liability on the part of the Indemnitee with respect to any claim, issue or matter therein or without any payments in settlement or compromise being made by the Indemnitee with respect to a claim, issue or matter therein, the Indemnitee shall be deemed to be entitled to indemnification, which entitlement shall not be diminished by any determination which may be made pursuant to Sections 4(b)(ii)(A), (B) or (C). In either case, the Indemnitee shall be entitled to such indemnification, unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law, in either case as finally determined by adjudication or, at the Indemnitee's sole option, arbitration (as provided in Section 4(d)(i) of this Article IX). The termination of any Proceeding described in Section 1 of this Article IX, or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, adversely affect the right of the Indemnitee to indemnification or create any presumption with respect to any standard of conduct or belief or any other matter which might form a basis for a determination that the Indemnitee is not entitled to indemnification.

(d) Remedies of Indemnitee.

(i) In the event that a determination is made pursuant to Section 4(b) of this Article IX that the Indemnitee is not entitled to indemnification under this Article IX, (A) the Indemnitee shall be entitled to seek an adjudication of his entitlement to such indemnification either, at the Indemnitee's sole option, in (x) an appropriate court of the State of Delaware or any other court of competent jurisdiction or (y) an arbitration to be conducted by three arbitrators (or, if the dispute involves less than \$100,000, by a single arbitrator) pursuant to the rules of the American Arbitration Association; (B) any such judicial proceeding or arbitration shall be de novo and the Indemnitee shall not be prejudiced by reason of such adverse determination; and (C) in any such judicial proceeding or arbitration the Corporation shall have the burden of proof that the Indemnitee is not entitled to indemnification under this Article IX.

(ii) If a determination shall have been made or deemed to have been made, pursuant to Section 4(b) or (c) of this Article IX, that the Indemnitee is entitled to indemnification, the Corporation shall be obligated to pay the amounts constituting such indemnification within five days after such determination has been made or deemed to have been made and shall be conclusively bound by such determination, unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law, in either case as finally determined by adjudication or, at the Indemnitee's sole option, arbitration (as provided in Section 4(d)(i) of this Article IX). In the event that (C) advancement of expenses is not timely made pursuant to Section 4(a) of this Article IX or (D) payment of indemnification is not made within five days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to Section 4(b) or (c) of this Article IX, the Indemnitee shall be entitled to seek judicial enforcement of the Corporation's obligation to pay to the Indemnitee such advancement of expenses or indemnification. Notwithstanding the foregoing, the Corporation may bring an action, in an appropriate court in the State of Delaware or any other court of competent jurisdiction, contesting the right of the Indemnitee to receive indemnification hereunder due to the occurrence of an event described in subclause (A) or (B) of this clause (ii) (a "Disqualifying Event"), provided, however, that if the Indemnitee shall elect, at his sole option, that such dispute shall be determined by arbitration (as provided in Section 4(d)(i) of this Article IX), the Corporation shall proceed by such arbitration. In any such enforcement or other proceeding or action in which whether a Disqualifying Event has occurred is an issue, the Corporation shall have the burden of proving the occurrence of such Disqualifying Event.

(iii) The Corporation shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 4(d) that the procedures and presumptions of this Article IX are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator or arbitrators that the Corporation is bound by all the provisions of this Article IX.

(iv) In the event that the Indemnitee, pursuant to this Article IX, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Article IX, or is otherwise involved in any adjudication or arbitration with respect to his right to indemnification, the Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any expenses actually and reasonably incurred by him if the Indemnitee prevails in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be prorated accordingly.

(e) Definitions. For purposes of this Section 4:

(i) "Change in Control" means a change in control of the Corporation of a nature that would be required to be reported in response to Item 5(f) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 (the "Act"), whether or not the Corporation is then subject to such reporting requirement; provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Corporation representing 20 percent or more of the combined voting power of the Corporation's then outstanding securities without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such acquisition; (B) the Corporation is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (C) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

(ii) "Disinterested Director" means a director of the Corporation who is not or was not a material party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

(iii) "Independent Counsel" means a law firm or a member of a law firm that neither presently is, nor in the past five years has been, retained to represent: (A) the Corporation or the Indemnitee in any matter or (B) any other party to the Proceeding giving rise to a claim for indemnification under this Article IX. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing under the law of the State of Delaware, would have a conflict of interest in representing either the Corporation or the Indemnitee in an action to determine the Indemnitee's rights under this Article IX.

Section 5. Acts of Disinterested Directors. Disinterested Directors considering or acting on any indemnification matter under this Article IX or otherwise may consider or take action as the Board of Directors or may consider or take action as a committee or individually or otherwise. In the event Disinterested Directors consider or take action as the Board of Directors, one-third of the total number of directors shall constitute a quorum.

Section 6. Severability. If any provision or provisions of this Article IX shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article IX (including, without limitation, all portions of any paragraph of this Article IX containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article IX (including, without limitation, all portions of any paragraph of this Article IX containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

ARTICLE X

Fiscal Year

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI

Seal

The Board of Directors shall provide a corporate seal, which shall be circular in form and bear the name of the Corporation and the words and figures denoting its organization under the laws of the State of Delaware and the year thereof.

ARTICLE XII

Amendments

These By-Laws may be amended or repealed, or new By-Laws may be adopted, except as provided in Section 3 of Article IX of these By-Laws, (a) at any annual or special meeting of the stockholders, by a majority of the total votes of the stockholders or when stockholders are entitled to vote by class, by a majority of the appropriate class, present in person or represented by proxy and entitled to vote on such action; provided, however, that the notice of such meeting shall have been given as provided in these By-Laws, which notice shall mention that amendment or repeal of these By-Laws or the adoption of new By-Laws is one of the purposes of such meeting, or (b) by the Board of Directors at any meeting thereof; provided, however, that notice of such meeting shall have been given as provided in these By-Laws, which notice shall mention that amendment or repeal of the By-Laws or the adoption of new By-Laws is one of the purposes of such meeting; provided, further, that By-Laws adopted by the Board of Directors may be amended or repealed by the stockholders as hereinabove provided; provided, further, that the stockholders may limit the power of the Board of Directors to make, amend, alter or repeal the By-laws of the Company. Notwithstanding the foregoing, the provisions of these By-Laws with respect to the number, classification, term of office, qualifications, election and removal of directors and the filling of vacancies and newly created directorships, and the amendment thereof, that is, Sections 2, 10 and 11 of Article III and this Article XII, may be amended or repealed or new By-Laws affecting such provisions may be adopted only with the unanimous approval of the entire Board of Directors or by the affirmative vote of the holders of at least 80% of the outstanding shares of stock of the Corporation entitled to vote in elections of directors (except that if such proposed amendment or repeal or adoption of new By-Laws shall be submitted to the stockholders with the unanimous recommendation of the entire Board of Directors, such provisions may be amended or repealed or such new By-Laws may be adopted by the affirmative vote of the holders of a majority of such stock).





## RETIREMENT AGREEMENT

RETIREMENT AGREEMENT, dated as of May 22, 2000 (the "Agreement"), between FactSet Research Systems Inc., a Delaware corporation (the "Company"), and Howard E. Wille (the "Executive").

WHEREAS, the Executive is employed by the Company on the terms and conditions set forth in an employment agreement dated June 27, 1996 by and between the Executive and the Company (the "Employment Agreement"); and

WHEREAS, the Executive currently serves as Chairman of the Board of Directors of the Company ("Chairman") and as Chief Executive Officer of the Company ("Chief Executive Officer"); and

WHEREAS, the Executive desires to retire from active employment with the Company effective May 22, 2000 (the "Retirement Date"); and

WHEREAS, the Company desires to reward the Executive for his 22 years of service with the Company as Chairman and Chief Executive Officer;

NOW, THEREFORE, in consideration of the premises set forth herein, the Executive and the Company, intending to be legally bound hereby, do hereby agree as follows:

### 1. Retirement by the Executive.

(1) The Executive has elected to retire as an employee and officer of the Company and any of its subsidiaries or affiliates as of the Retirement Date.

(2) The Executive shall continue as the non-executive Chairman of the Board of Directors (the "Board") until August 31, 2000, or such earlier date on which the Executive may resign as Chairman of the Board.

2. Termination of the Employment Agreement. By mutual agreement, the Employment Agreement shall be terminated, effective as of the Retirement Date, and from such date the Employment Agreement shall be void and of no force and effect.

3. Compensation and Benefits. During the period that the Executive serves as Chairman of the Board (the date such service terminates for any reason, the "Chairman Termination Date"), the Company shall provide the Executive with periodic cash compensation at the rate of \$350,000 per year and the Company shall continue to provide the Executive (and his spouse and dependants, if applicable) with medical and dental benefits substantially equivalent to the benefits he was entitled to receive immediately prior to the Retirement Date. The Company shall give the Executive the right to purchase (such right to remain open until the Chairman Termination Date) at current book value, the Company vehicles which were customarily provided to the Executive immediately prior to the Retirement Date.

4. Benefits following Termination of Board Service. For a period of thirty six months immediately following the Chairman Termination Date, the Company shall continue to provide the Executive (and his spouse and dependents, if applicable) with medical and dental benefits as described in Section 3 of this Agreement.

5. Special Retirement Payment. In recognition of the Executive's contributions to the success of the Company, no later than five business days following the Chairman Termination Date, the Company shall pay the Executive (or if applicable, his estate or legal representative) a special retirement payment of \$2,750,000, in a lump sum in cash.

6. Gross-Up Payment for Excise Tax. If any of the payments or benefits received or to be received by the Executive pursuant to the terms of this Agreement or any other Company plan, arrangement or agreement (such payments or benefits, excluding the Gross-Up Payment (as defined below), the "Total Payments") will be subject to the excise tax imposed under Section 4999 of the Internal Revenue Code (or any successor provision), the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of any excise tax on the Total Payments and any federal, state and local income and employment taxes and excise tax upon the Gross-Up Payment, shall be equal to the Total Payments. Any calculation required to be made in respect of the foregoing shall be determined initially by a nationally recognized firm of independent public accountants retained by the Executive at the Company's expense, and such determination and the basis therefor shall be furnished in writing to the Executive and the Company. Payment shall be made by the Company in accordance with that initial determination regardless whether there is a dispute over the accuracy thereof. If either party disputes that initial determination the matter shall promptly be referred to a nationally recognized firm of independent public accountants selected by the Executive (which firm shall not have been involved in the initial determination), and the Executive and the Company shall promptly furnish to that firm such information as it reasonably requests. The Company shall make such additional payment to the Executive or the Executive shall refund an amount to the Company, as the case may be, in accordance with the latter firm's determination. The fees and expenses of that firm shall be borne by the Company.

## 7. Release by the Executive.

(1) The Executive, on behalf of himself, his family, heirs, executors, administrators, legal representatives and assignees hereby releases the Company, its parents, subsidiaries and other affiliates, its (and its parents', subsidiaries' and other affiliates') present or former employees, officers, directors, stockholders, representatives and agents from all claims and demands the Executive has had or presently has against the Company and its parents, subsidiaries and other affiliates, including any rights or claims the Executive may have based on or pertaining to his Employment Agreement or otherwise based on any facts or events, whether known or unknown by the Executive, that have occurred prior to the date of this Agreement.

(2) Nothing herein shall be deemed to release: (i) the Executive's right to be reimbursed for ordinary and necessary business expenses incurred prior to the Retirement Date but not previously reimbursed, (ii) salary, benefits and perquisites payable to the Executive (including, but not limited to, accrued and unpaid vacation days) with respect to a period prior to the Retirement Date which have not been previously paid up to the Retirement Date, (iii) the Executive's rights under this Agreement or (iv) any of the benefits that the Executive has accrued prior to the Retirement Date under the Company's employee benefit plans. In addition, the Executive shall be entitled to reimbursement for ordinary and necessary business expenses incurred following the date hereof in connection with his service as a director in accordance with the Company's policies in effect from time to time.

8. Release by the Company. As additional consideration hereunder, the Company, its parents, subsidiaries and other affiliates (and their respective successors and assigns) hereby release the Executive from all claims or demands they have had or presently have against the Executive, including any rights or claims based on any facts or events, whether known or unknown, that have occurred prior to the date of this Agreement.

## 9. Indemnification.

(1) The Company hereby agrees that, with respect to any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative ("Proceeding") to which Executive is a party or is threatened to be made a party by reason of the Executive's service as director, officer or employee of the Company prior to the Chairman Termination Date ("Pre-Termination Date Service"), the Executive is and shall be indemnified by the Company, including without limitation, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually reasonably incurred by him in connection with the defense or settlement of such Proceeding, to the fullest extent of applicable law, the Company's by-laws and Company's articles of incorporation (each of such by-laws and articles of incorporation as in effect on the date hereof). The Company represents and warrants that, with respect to the Pre-Termination Date Service, the Executive is a named insured under the Company's Directors' and Officers' Liability Insurance Policy which provides liability coverage for the directors and officers of the Company.

(2) The Executive shall be indemnified and held harmless with respect to any Proceeding to which Executive is a party or is threatened to be made a party by reason of the Executive's service to the Company on or after the date hereof to the same extent that the Company indemnifies and holds harmless directors of the Company.

10. Publicity. A press release in respect of the Executive's resignation as Chief Executive Officer of the Company shall be issued by the Company and/or the Executive in the form attached to this Agreement as Exhibit A. Except as provided in this Section 10 or as required by law or stock exchange rule, the Executive shall not divulge, and the Company shall use its best effort to cause its officers, employees and agents not to divulge, to any other entity or person (except in the case of the Executive, to his spouse, and in case of the Company and the Executive to its, or his, legal and financial advisors) any information concerning this Agreement or the terms thereof or the discussions relating thereto.

11. Nondisparagement. The Company and the Executive shall refrain from making any statements or taking any action which has the effect of demeaning the name or reputation of the other, or which is injurious, or could reasonably be expected to be injurious to the best interests (economic or otherwise) of the other. For the purposes of this Section 11, the Company shall include its affiliates, employees and directors.

## 12. Noncompetition; Confidentiality.

(1) The Executive agrees that while serving as Chairman of the Board and for a period of two years following the Chairman Termination Date, the Executive shall not, directly or indirectly, own, manage, operate, join or control, be employed by or participate in the ownership, management, operation or control of, or be a consultant to or connected in any other manner with, any business, firm or corporation which is similar to or competes with a principal business of the Company or its affiliates (a "Competitive Activity"). For these purposes, the Executive's ownership of securities or a public company not in excess of five percent (5%) of any class of such securities shall not be considered to be a Competitive Activity.

(2) The Executive agrees to keep secret and retain in the strictest confidence all confidential matters which relate to the Company or any subsidiary or affiliate, including, without limitation, customer lists, client lists, trade secrets, pricing policies, data bases and other nonpublic business affairs of the Company and any subsidiary or affiliate learned by him from the Company or any such affiliate or otherwise before or after the date of this Agreement, and not to disclose any such confidential matter to anyone outside of the Company or any of its affiliates.

13. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in New York, New York, in accordance with the rules of the American Arbitration Association then in effect. Judgement may be entered on the arbitrator's award in any court having jurisdiction. The expense of any arbitration shall be borne by the Company. Notwithstanding the foregoing, the Company may seek equitable relief in any court of competent jurisdiction to prevent any violation of Section 11 or 12 of this Agreement and the Executive may seek equitable relief in any court of competent jurisdiction to prevent any violation of Section 11 of this Agreement. The Executive and the Company each agree that equitable relief may be granted without the necessity to post a bond. In the event that any provision of Section 12 of this Agreement is deemed to be unreasonable by the final decision of a court of competent jurisdiction, the Company and the Executive shall agree and submit to such revision or modification thereof which said court shall deem to be reasonable and which most closely conforms to the intent of this Agreement.

14. Mitigation. The Company's obligations to make payments provided for in the Agreement and otherwise perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. The Executive shall not be required to mitigate amounts payable hereunder by seeking employment or otherwise.

15. Modification; Waiver or Discharge. This Agreement is entered into between the Company and the Executive for the benefit of each of the Company and the Executive. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

16. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of either party hereto (including the Employment Agreement, except to the extent otherwise provided herein).

17. Assignment. This Agreement may not be assigned by the Executive, but may be assigned by the Company to any successor to its business and will inure to the benefit of and be binding upon any such successor. The Executive shall, in his discretion, be entitled to proceed against such successor or the Company in any action to enforce any rights of the Executive hereunder.

18. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

19. Headings. The headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

20. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Connecticut without regard to principles of conflicts of laws.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

FactSet Research Systems Inc.

BY: /s/ MICHAEL F. DICHRISTINA

BY: /s/ HOWARD E. WILLE  
Howard E. Wille

## Exhibit 27

This schedule contains summary financial information extracted from FactSet Research Systems Inc. consolidated statement of financial condition, consolidated statement of income, and consolidated statement of cash flows for the period ending May 30, 2000, and is qualified in its entirety by reference to such financial statements.

		0001013237
		FactSet Research Systems Inc.
		1,000
9-MOS		
	AUG-31-2000	
	MAY-31-2000	
		42,596
		22,874
		18,070
		1,095
		0
	92,527	21,658
		8,705
		118,557
22,030		0
	0	0
		0
		329
		96,010
118,557		97,064
	97,064	0
		71,705
		0
		0
		0
		27,704
		9,714
17,990		0
		0
		0
		17,990
		.56
		.52

FOR PURPOSES OF THIS STATEMENT, PRIMARY MEANS BASIC.