

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

Form 10-K

- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended August 31, 2004
 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.)

601 Merritt 7 Norwalk, Connecticut 06851
(Address of principal executive office, including zip code)

Registrant's telephone number, including area code: (203) 810-1000

Securities registered pursuant to Section 12(b) of the Act: Common Stock
Name of each exchange on which registered: New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant based upon the closing price of a share of the registrant's common stock on February 27, 2004, as reported by the New York Stock Exchange on that date, was \$758,717,225.

The number of shares outstanding of the registrant's common stock, as of October 22, 2004, was 31,747,522.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement dated November 10, 2004, for the Fiscal 2004 Annual Meeting of Shareholders to be held on December 21, 2004, are incorporated by reference into Part III.

FACTSET RESEARCH SYSTEMS INC.

FORM 10-K

For The Fiscal Year Ended August 31, 2004

[PART I](#)

	Page
ITEM 1. Business	3
ITEM 2. Properties	5
ITEM 3. Legal Proceedings	5
ITEM 4. Submission of Matters to a Vote of Security Holders	5

[PART II](#)

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters	6
ITEM 6. Selected Financial Data	7
ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operation	8
ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk	16
ITEM 8. Financial Statements and Supplementary Data	17
ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	38
ITEM 9A. Controls and Procedures	38
ITEM 9B. Other Information	38

[PART III](#)

ITEM 10. Directors and Executive Officers of the Registrant	39
ITEM 11. Executive Compensation	39
ITEM 12. Security Ownership of Certain Beneficial Owners and Management	39
ITEM 13. Certain Relationships and Related Transactions	39
ITEM 14. Principal Accountant Fees and Services	39

[PART IV](#)

ITEM 15. Exhibits and Financial Statement Schedules	40
Signatures	42

Part I

ITEM 1. BUSINESS

FactSet Research Systems Inc. (the “Company” or “FactSet”) supplies financial intelligence to the global investment community. The Company combines more than 200 databases, including content regarding tens of thousands of companies from multiple stock markets, research firms, governments and other sources, into a single online platform of information and analytics. Clients have simultaneous access to content from all the sources, which they can combine and download into spreadsheets and analyze using FactSet or custom-built applications.

The Company aggregates third-party content from over 50 database suppliers. FactSet seeks to maintain contractual relationships with a minimum of two content providers for each type of financial data, when possible. Third-party content contracts are generally renewable annually and may often be terminated on one year’s notice. A large number of the Company’s content suppliers are in direct competition with each other and in some cases, with FactSet. Third-party content fees are either billed directly to FactSet or its clients. Content fees billed to the Company are on a fixed or royalty (per client) cost basis.

In May 2004, FactSet acquired CallStreet, LLC (“CallStreet”). CallStreet is a provider of corporate conference call transcripts and event calendars to the investment community, a highly desirable content set for the Company’s clients. The product has been completely integrated into FactSet’s online system.

On September 1, 2004, FactSet closed its acquisition of the JCF Group of companies (“JCF”). JCF, headquartered in Paris, France, provides a global database of broker detail and consensus earnings estimates and other financial projections to the professional investment community. In Europe, JCF’s reputation for quality has been the major reason for that group’s emergence in recent years as a prominent player in the broker estimate space. JCF provides access to its proprietary content set via JCF Quant, a Microsoft® Windows-based application, as well as via electronic data feeds. The JCF database has been integrated into FactSet Directions, the Company’s online application, and has been made available to FactSet’s clients on a subscription basis. With the acquisition, FactSet has provided its clients with an additional option in this important content area, and will continue to invest in the Company’s collection efforts to provide a premium earnings estimate database in the industry.

The preliminary purchase price of the JCF acquisition is \$65.2 million, which was paid in cash and the issuance of 257,067 common shares. As of September 1, 2004, JCF’s 368 clients (of which 39 were also FactSet clients), represented over 2,000 users and subscribed to services totaling \$17.7 million. The vast majority of JCF’s business is generated in Europe, though its product scope is global. As of September 1, 2004, the combined FactSet and JCF subscriptions totaled approximately \$290.6 million. The combined Company now has more than 1,000 employees. The JCF sales team, virtually all of which is in Europe, has been integrated with the existing FactSet European sales force.

FactSet has historically focused on integrating third-party content into our system. As the financial information industry has consolidated over the past several years, it has become increasingly evident that, strategically, FactSet must be in a position to control access to critical content to its clients. Toward that end, FactSet has evolved a multi-dimensional strategy to provide what it believes is the widest breadth and the best quality content to its clients. FactSet continues to pursue mutually beneficial partnerships with long-time third-party data providers; however, if necessary, FactSet is committed to acquiring or building content sets on its own. Since 2001, the Company has acquired four content providers – Lionshares, Mergerstat, CallStreet and JCF – and has fully integrated their data sets into its system, while at the same time continuing to invest in development of third-party data feeds across all content areas. The net effect of this strategy to date has been to increase the accessibility of these data sets to the financial industry and to improve the quality of the data for its clients.

The Company’s private wide area network provides clients with access to the Company’s data centers. FactSet’s wide area network provides a high-speed direct link between the client’s local network and the data content and powerful applications found on the Company’s mainframes. Clients pay an annual fee for the right to access the Company’s system through the private wide area network.

In February 2004, FactSet opened a new data center in Reston, Virginia. The Reston data center is located in a state-of-the-art facility with fully-redundant servers, storage, power supply and telecommunication links. The Company has built a reputation as one of the most highly dependable business partners in the industry.

Table of Contents

A significant part of the Company's strategy to maintain long-term client relations involves both consulting services and client training. Through the Company's call center system and various client visits during the fiscal year, consulting and sales teams receive current information about client activities which enable them to provide better service. The Company strongly encourages its clients to take part in the training programs, conducted either at the client's location or a FactSet office. FactSet's training programs are designed to give clients a comprehensive understanding of the service. The training programs supplement the consulting services available around the clock through the Company's Help Desk.

FactSet competes in the global financial information services industry, which includes both large and well-capitalized companies, as well as smaller, niche firms. International and domestic competitors include market data suppliers, news and information providers and many of the content providers that supply the Company with financial information included in the FactSet system. Competitors and competitive products in the United States include online, CD-ROM, and Internet database suppliers and integrators and their applications, such as The Thomson Corporation, Bloomberg L.P., FAME, Barra Inc., Capital IQ Inc., and COMPUSTAT® (a set of products of Standard & Poors, a subsidiary of The McGraw-Hill Companies), and Reuters Group PLC. Datastream, owned by The Thomson Corporation, and RIMES are the Company's primary international competitors. Many of these firms offer products or services which are similar to those sold by the Company.

FactSet's Portfolio Analytics subscriptions increased to 385 clients, consisting of approximately 2,900 users, as of August 31, 2004. During the year, this product line made progress in all areas. SPAR, the Company's portfolio return analysis tool, and FactSet's portfolio risk application have now been established as industry leaders. These products have empowered the Company's sales team to expand relationships with many existing clients by introducing the FactSet service to its clients' performance and marketing groups. FactSet expanded the product to support fixed income instruments during fiscal 2003, and added several fixed income benchmark databases to the application during fiscal 2004. These enhancements are important, especially for the Company's European clients for whom a larger percentage of assets under management are in fixed income instruments. During fiscal 2004, the Company also released a version of the Portfolio Analysis for plan sponsors.

Marquee™, the Company's real-time quotes and news application, continued to gain traction during fiscal 2004. All new clients receive Marquee as part of the standard workstation feature-set, making the basic FactSet service ever more valuable. Client usage increased more than 100% during fiscal 2004, and the application is increasingly being viewed as a critical component of the FactSet experience. During fiscal 2004, FactSet released the first phase of international equity quotes, as the Company seeks to create a global quote and news product. Additionally, FactSet has added numerous newswires to the application, including FactSet-sourced CallStreet conference call transcripts and FactSet Flashwire, the Company's merger and acquisition newswire derived from its Mergerstat database.

FactSet continued to invest in the development of investment banking applications and released numerous enhancements to our offerings during fiscal 2004. The Company began a beta release of IB Central, its new application focusing on the workflow of senior bankers and less numerically intensive users.

Also in fiscal 2004, the Data Warehousing group released Cornerstone 2.0, FactSet's electronic data feed product. This product allows a client to specify an electronic data feed comprised of virtually any piece of data on the client's FactSet service, to be delivered in the most convenient format at any frequency it wishes. The Company's Internal Research Notes product is another enhancement that allows clients to post quick-hitting textual notes into FactSet's Data Central application to be shared with their colleagues in a variety of channels throughout the FactSet online system, including within the news module of Marquee.

The number of employees of FactSet and its subsidiaries totaled 1,038 as of October 22, 2004. At August 31, 2004, the Company had 887 employees, compared to 793 at August 31, 2003.

The Company's website address is www.factset.com. The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge through a link on the "Investor Relations" section of our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. In addition, the Company's Code of Ethical Conduct for Financial Managers and Code of Business Conduct and Ethics are posted in the "Investor Relations" section of the Company's website. Any amendments to or waivers of such code required to be publicly disclosed by the applicable exchange rules or the Securities and Exchange Commission will be posted on the Company's website. FactSet was incorporated in Delaware in 1984.

[Table of Contents](#)

Additional information with respect to the Company's business is included in the following pages and is incorporated herein by reference:

Five-Year Summary of Selected Financial Data	pages 7
Management's Discussion and Analysis of Financial Condition and Results of Operations	pages 8-16
Quantitative and Qualitative Disclosures about Market Risk	page 16
Note 1 to Consolidated Financial Statements entitled "Organization and Nature of Business"	page 23
Note 10 to Consolidated Financial Statements entitled "Net Capital"	page 31
Note 13 to Consolidated Financial Statements entitled "Segments"	page 34

ITEM 2. PROPERTIES

At August 31, 2004, the Company leased office space domestically in Norwalk, Connecticut; Boston and Newton, Massachusetts; New York, New York; Chicago, Illinois; Manchester, New Hampshire; Reston, Virginia; Tuscaloosa, Alabama; San Mateo and Santa Monica, California; and internationally in London; Tokyo; Hong Kong; Sydney; Frankfurt; and Paris and Avon, France. The leases expire on various dates through December 2019. Total minimum rental payments associated with the leases are recorded as rent (a component of selling, general and administrative expenses) on a straight-line basis over the periods of the respective non-cancelable lease terms.

At August 31, 2004, the Company's lease commitments for office space provide for the following future minimum rental payments under non-cancelable operating leases with remaining terms in excess of one year:

THOUSANDS YEARS ENDED AUGUST 31,	MINIMUM LEASE PAYMENTS
2005	\$ 6,454
2006	6,840
2007	5,283
2008	5,232
2009	5,379
Thereafter	38,820
Total	\$ 68,008

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material pending legal proceedings.

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

None.

Part II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock trades on the New York Stock Exchange under the symbol "FDS". As of October 22, 2004, there were approximately 9,000 stockholders of record and the closing price of FactSet's common stock was \$48.20 per share as reported by the New York Stock Exchange.

On August 16, 2004, the Company announced a regular quarterly dividend of \$0.07 per share. The cash dividend was paid on September 21, 2004, to common stockholders of record on August 31, 2004. Shares of common stock outstanding were as follows:

THOUSANDS YEARS ENDED AUGUST 31,	2004	2003	2002
Balance, beginning of year	33,660	33,788	33,356
Common stock issued for employee stock plans	581	629	601
Repurchase of common stock	(3,073)	(757)	(169)
Balance, end of year	31,168	33,660	33,788

On July 16, 2002, the Board of Directors authorized a share repurchase program to acquire shares of the Company's outstanding common stock in open market or negotiated transactions. This program authorized the repurchase of up to 1,000,000 shares of FactSet common stock. The program established no minimum number of shares for repurchase. During fiscal 2004, the Company repurchased approximately 65,000 shares at an average cost of \$37.59 per share. Since the inception of the stock repurchase program, FactSet has purchased approximately 772,000 shares at an average cost of \$26.64 per share. The company did not repurchase any shares in the fourth quarter of fiscal 2004.

In January 2004, the Company purchased 2,000,000 shares of its common stock from one of its co-founders, Howard E. Wille, at a price per share of \$34.58. In March 2004, the Company purchased an additional 1,000,000 shares of its common stock from its other co-founder, Charles J. Snyder, at a price per share of \$38.12.

The following table sets forth for the fiscal periods indicated the high and low sale prices for our common stock as reported by the New York Stock Exchange:

	FIRST	SECOND	THIRD	FOURTH
2004				
High	\$53.09	\$42.95	\$45.30	\$51.50
Low	39.50	34.97	36.52	40.10
2003				
High	\$31.25	\$33.79	\$38.56	\$49.49
Low	22.02	24.28	24.35	36.40

[Table of Contents](#)

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8. Financial Statements and Supplementary Data.”

THOUSANDS, EXCEPT PER SHARE DATA
YEARS ENDED AUGUST 31,

	2004	2003	2002	2001	2000
Revenues	\$251,910	\$222,295	\$198,294	\$167,555	\$126,462
Income from operations	87,603⁽¹⁾	76,727	61,918 ⁽⁴⁾	50,903	36,419 ⁽⁶⁾
Income before income taxes	89,375⁽¹⁾	79,016	64,237 ⁽⁴⁾	54,246	39,576 ⁽⁶⁾
Net income	58,017⁽²⁾	51,438 ⁽³⁾	40,848 ⁽⁵⁾	33,401	25,279 ⁽⁷⁾
Diluted earnings per common share ⁽⁸⁾	\$ 1.72⁽²⁾	\$ 1.48 ⁽³⁾	\$ 1.17 ⁽⁵⁾	\$ 0.96	\$ 0.74 ⁽⁷⁾
Weighted average common shares (diluted) ⁽⁸⁾	33,744	34,816	34,862	34,762	34,390
Cash dividends declared per common share	\$ 0.26	\$ 0.22	\$ 0.18	\$ 0.14	\$ 0.12
Total assets	229,927	256,159	216,163	170,472	133,634
Total stockholders’ equity	\$164,546	\$212,229	\$176,966	\$138,262	\$103,002

(1) Includes a corporate headquarters relocation charge of \$837. See the Selling, General & Administrative section of the Management’s Discussion and Analysis of Financial Condition and Results of Operation.

(2) Includes a corporate headquarters relocation charge of \$837 (pretax) and an income tax benefit of \$1,500. See the Selling, General & Administrative section of the Management’s Discussion and Analysis of Financial Condition and Results of Operation and Note 9 to the Consolidated Financial Statements.

(3) Includes an income tax benefit of \$1,274.

(4) Includes a data center relocation charge of \$904.

(5) Includes a data center relocation charge of \$904 (pretax) and an income tax benefit of \$893.

(6) Includes a retirement bonus of \$2,750.

(7) Includes a retirement bonus of \$1,700 (after taxes) and an income tax benefit of \$1,100.

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

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

OVERVIEW. FactSet supplies global economic and financial data and analytics to the global investment community, including analysts, investment banks, and other investment professionals. The FactSet service integrates and aggregates more than 200 databases from multiple sources, both proprietary and sourced through third-party vendors, into a single source of information, accessible online through a private wide area network. Clients may download, screen, manipulate and analyze data in a variety of formats, including custom-designed reports in a secure and reliable environment. A large part of our service also entails on-site training client and technical support.

Fiscal 2004 was an active year. In February 2004, the Company opened a new data center in Reston, Virginia. In May 2004, The Company acquired CallStreet, LLC, a provider of a provider of management conference call transcripts, for \$6.5 million in cash. The CallStreet data has been fully integrated into the FactSet service. In August 2004, the corporate headquarters relocated to Norwalk, CT, consolidating all Connecticut employees in one office. The Company also took advantage of the opportunity to purchase a total of 3,000,000 shares of common stock from its co-founders, Howard E. Wille and Charles J. Snyder, for approximately \$107 million in the aggregate.

In addition, on September 1, 2004, FactSet acquired the JCF Group of companies, which provides a global database of broker detail and consensus earnings estimates and other financial projections to the professional investment community. That acquisition's preliminary purchase price is \$65.2 million, of which \$11.4 million was in the form of FactSet common stock.

Over the past fiscal year, FactSet has experienced growth and expansion in all its functional areas. We continually enhance our applications and have made strides with the release of new applications, including Cornerstone 2.0 and IB Central. We have also enhanced Marquee, our real time news and quote product. In fiscal 2004, subscriptions (which we discuss in more detail below) rose 16% to \$272.9 million at August 31, 2004. We also experienced an increase in the number of net clients and passwords.

The Company's employees and functional areas are grouped into a few main areas: sales and consulting, engineering and administrative. In recent years, and consistent with changes in strategy, FactSet has also added a data collection group.

RESULTS OF OPERATIONS

Revenues

THOUSANDS YEARS ENDED AUGUST 31,	2004	2003	2002
Domestic	\$200,944	\$178,139	\$158,929
Percentage of revenues	79.8%	80.1%	80.1%
International	50,966	44,156	39,365
Percentage of revenues	20.2%	19.9%	19.9%
Consolidated	\$251,910	\$222,295	\$198,294

[Table of Contents](#)

REVENUES. Fiscal 2004 revenues increased 13.3% to \$251.9 million from \$222.3 million a year ago. During fiscal 2003, revenues advanced 12.1% from \$198.3 million in 2002. Continued demand for our value-added applications and databases by our existing clients as well as year-over-year new client additions and further penetration into overseas markets were the main catalysts of revenue growth in both periods. Sales of databases and applications comprise approximately half of our revenue. Our base fee and subscriptions for incremental passwords account for the remainder of our revenue.

Revenues from international operations totaled \$51.0 million in 2004, up 15.4% from the prior year. Revenues generated by our European and Asia Pacific sales operations increased 15.1% and 16.4%, respectively. International revenues rose 12.2% to \$44.2 million in fiscal 2003, as European revenues grew 14.1% and Asia Pacific revenues advanced 6.2%. In fiscal 2004, international revenues comprised 20.2% of consolidated revenues. Overseas revenues accounted for 19.9% of total revenues in fiscal 2003. Greater than 95% of our total revenues are remitted to us in U.S. dollars. Net monetary assets maintained by our international branch offices were not material and foreign currency fluctuations did not have a material effect on the results of our operations.

SUBSCRIPTIONS. “Subscriptions” at a given point in time represent the forward-looking revenues for the next twelve months from all services currently being supplied to our clients. Typically, our clients enjoy the freedom and flexibility to add to, delete portions of, or terminate service at any time. Subscriptions at the end of fiscal 2004 were \$272.9 million, up 16.1% from the prior year total of \$235.0 million. Subscriptions grew 11.1% in 2003 from \$211.5 million at the conclusion of fiscal 2002. The average annual subscription per client was \$258,000 at the end of 2004 compared to \$242,000 and \$232,000 at the close of fiscal years 2003 and 2002, respectively.

The primary drivers of subscription growth in fiscal years 2004 and 2003 were the addition of net new clients, incremental subscriptions to our services by existing clients, and the expiration of price discounts previously granted to clients. At the end of fiscal 2004, we had 385 clients, representing nearly 2,900 users, who subscribed to Portfolio Analytics, up from approximately 345 clients and 2,500 users at the conclusion of fiscal 2003. Fiscal 2004 subscriptions grew nearly \$2.0 million due to the acquisition of CallStreet, LLC (“CallStreet”) on May 7, 2004. The acquisition of the entire ownership interest in FactSet Mergerstat, LLC (“Mergerstat”) on January 23, 2003, increased fiscal 2003 subscriptions by approximately \$2.0 million. Approximately three quarters of our subscriptions were derived from our investment management clients and the remaining subscriptions from our investment banking clients. No individual client accounted for more than 5% of total subscriptions and subscriptions from our ten largest clients did not exceed 25% of total client subscriptions.

CLIENTS. We had 1,059 clients at the end of fiscal 2004 resulting from the net addition of 89 clients during the year. Fiscal 2003 saw the addition of 58 net new clients. During each of the three most recent fiscal years, our client retention rate exceeded 95%.

PASSWORDS. We use password count as a measure of the number of users of our services and products. During fiscal 2004, password count expanded by 1,900 to 21,100 from 19,200 at the close of fiscal 2003. In 2004, our clients, particularly those in the investment banking industry, increased hiring due to an improved market environment. In 2003, our password count declined by 2,800 from 22,000 at the end of fiscal 2002 primarily as a result of large-scale personnel reductions among our investment banking clients.

OPERATING EXPENSES AND NET INCOME

THOUSANDS, EXCEPT PER SHARE DATA
YEARS ENDED AUGUST 31,

	2004	2003	2002
Operating Expenses			
Cost of services	\$74,191	\$66,286	\$60,388
Selling, general and administrative	90,116	79,282	75,084
Data center relocation charge	—	—	904
Total operating expenses	\$164,307	\$145,568	\$136,376
Income from operations	\$87,603	\$76,727	\$61,918
Net income	58,017	51,438	40,848
Diluted earnings per common share	\$1.72	\$1.48	\$1.17

COST OF SERVICES. Cost of services increased 11.9% in fiscal 2004 to \$74.2 million. Cost of services grew 9.8% to \$66.3 million in fiscal 2003 from \$60.4 million in fiscal 2002. The main components of the increase in 2004 were higher costs related to employee compensation and benefits, data costs and client-related communication expenses, partially offset by a decrease in depreciation on computer-related equipment. Incremental growth in cost of services in 2003 resulted from greater levels of employee compensation and benefits, data costs and client-related communication costs.

Employee compensation and benefits associated with the software engineering and consulting departments grew \$6.4 million in 2004 and \$3.3 million in 2003. The increases in both years were caused by employee additions and growth in merit increases within these two groups. Data costs rose \$3.2 million in fiscal 2004 and \$1.4 million in fiscal 2003. The rise in 2004 resulted from expanded database selections offered to our clients, higher database fees due to a greater number of client users and our acquisition of CallStreet during the third quarter. In 2003, our data costs expanded because of higher database costs due to a greater number of client users and augmented database offerings made available to our clients. Client-related communication costs increased \$0.8 million in both 2004 and 2003. Incremental costs incurred to execute the roll-out of Marquee, our application featuring a streaming display of news, quotes and broker research, to our clients was the main factor in the increase for both years. Depreciation on computer-related equipment decreased \$2.5 million in 2004 and remained nearly flat in 2003 relative to 2002. During the first quarter of fiscal 2004, we implemented an upgrade of our mainframe computers located in both of our data centers. The acquisition cost of our new Hewlett-Packard Marvel mainframe computers was significantly less than the acquisition cost of the replaced mainframes which were originally placed in service in fiscal 2001. The lower depreciable cost bases of these mainframes were largely responsible for the decrease in computer-related depreciation costs in fiscal 2004.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A). SG&A grew 13.7% to \$90.1 million during fiscal 2004 and 5.6% to \$79.3 million in fiscal 2003. Increased levels of employee compensation and benefits, travel expenses, rent and amortization of leasehold improvements and professional fees were the primary reasons for the growth in 2004. The increase in 2003 was mainly due to higher costs associated with employee compensation and benefits, partially offset by lower professional fees and other expenses.

Employee compensation and benefits rose \$5.1 million in 2004 and \$5.2 million in 2003. Additions to employee headcount and merit increases in compensation were largely responsible for the increases in both years. Increased travel by our sales personnel to service our expanding client base produced the \$1.3 million increase in travel expenses in fiscal 2004, while travel costs remained relatively flat during 2003. Rent expense and amortization of leasehold improvements increased \$1.5 million in fiscal 2004. Our data center opening in Virginia and an office expansion in New York were the main factors contributing to this growth. During 2003, we extended the lease terms for our Greenwich facility and one of our Stamford office facilities for an additional year at a higher rental rate in order to synchronize the expiration of the leases related to our three Connecticut offices with the move to our new Norwalk headquarters facility. As part of our relocation and consolidation of our Connecticut offices, we incurred a charge of \$837,000 in the fourth quarter of fiscal 2004. Each of our leases related to our three former Connecticut offices expired on September 30, 2004. As a result of our abandonment of these facilities in August 2004, we incurred an accelerated rent expense of \$305,000 in fiscal 2004 which would have been recorded in fiscal 2005 had we occupied those facilities until their respective leases expired. We incurred an additional \$362,000 in accelerated depreciation in 2004 related to furniture and fixtures and leasehold improvements utilized at our three former office facilities as these assets did not become part of our consolidated Norwalk office facility. In addition, we incurred a moving charge of \$120,000 to consummate the move to our single office in Norwalk. These three charges totaling \$787,000 were part of the \$837,000 charge incurred in the fourth quarter of fiscal 2004. Rent expense and amortization of leasehold improvements remained flat in 2003 compared to 2002. Professional fees and other expenses grew \$1.9 million in fiscal 2004 due to higher legal, tax planning and other consulting fees. Professional fees and other expenses declined \$1.6 million in 2003 as a result of lower consulting fees incurred and decreased expenses for taxes other than income taxes.

INCOME FROM OPERATIONS, OPERATING MARGIN AND EFFECTIVE TAX RATE. Operating income increased 14.2% to \$87.6 million in 2004 from \$76.7 million in 2003. Income from operations rose 23.9% in fiscal 2003 from \$61.9 million in fiscal 2002.

Our operating margins in fiscal years 2004 and 2003 were 34.8% and 34.5%, respectively. Operating margin in 2002 was 31.2%. Operating margin expanded in 2004 largely as a result of decreases in depreciation on computer-related equipment, amortization of leasehold improvements and computer repair and maintenance as a percentage of revenues. These decreases were partially offset by increases in data costs and professional fees as a percentage of revenues as well as the non-recurring relocation charge of \$837,000 incurred in 2004 related to our new Norwalk, Connecticut headquarters. The improvement in the 2003 operating margin was attributed to declines in depreciation on computer-

related equipment, professional fees and other expenses and rent expense and amortization of leasehold improvements as a percentage of revenues. We further incurred \$904,000 in expense related to the relocation of one of our data centers from New York City to Manchester, New Hampshire during fiscal 2002, which reduced that year's operating margin.

Our effective tax rate for fiscal 2004 was 35.1% which included the effect of a \$1.5 million income tax benefit related to the settlement of prior year tax returns for certain state credits, additional state and federal tax planning and certain changes in estimates. Including the impact of a \$1.3 million income tax benefit associated with additional federal income tax planning and certain changes in estimates related to income taxes payable for fiscal years prior to 2003, our fiscal 2003 effective tax rate was 34.9%. The effective tax rate was 36.4% in fiscal 2002 after factoring in an income tax benefit of \$893,000 largely resulting from adjustments to prior years' federal and state tax returns attributable to a favorable state income tax ruling. Excluding the respective tax benefits in all three fiscal years presented, the effective tax rates were: 36.8% in fiscal 2004; 36.5% in fiscal 2003; and 37.8% in fiscal 2002.

The American Jobs Creation Act of 2004 and the Working Families Tax Relief Act of 2004 were both enacted in October 2004. These bills contain provisions which could potentially impact our effective tax rate. These items include the extension of the Research and Development Credit through December 2005, the repeal of the Extraterritorial Income Exclusion and the enactment of a Domestic Manufacturing deduction. We are continuing to evaluate the effect on the Company's effective tax rate for the quarter ended November 30, 2004 and the year ended August 31, 2005.

NET INCOME AND EARNINGS PER SHARE. Net income grew 12.8% to \$58.0 million and diluted earnings per share, benefiting from share repurchases, advanced 16.2% to \$1.72 in fiscal 2004. Fiscal 2003 net income increased 25.9% to \$51.4 million and diluted earnings per share rose 26.5% to \$1.48. In fiscal 2002, net income experienced growth of 22.3% to \$40.8 million and diluted earnings per share increased 21.9% to \$1.17.

Liquidity and Capital Resources

Our operating activities generated yearly cash flow of \$76.4 million, \$74.7 million and \$66.7 million in fiscal years 2004, 2003 and 2002, respectively. In 2004, cash flows from operating activities increased \$1.7 million as a result of a larger amount of net income as adjusted for non-cash related items and increases in accounts payable and accrued expenses and taxes payable, partially offset by growth in accounts receivable and other working capital assets. As a result, our days' sales outstanding rose from 61 days at the end of fiscal 2003 to 63 days at the close of fiscal 2004. The improvement in operating cash flow in fiscal 2003 was due to growth in net income as adjusted for non-cash related items, increases in accounts payable, accrued compensation and taxes payable partially offset by increased accounts receivable and declining deferred fees.

Fiscal 2004 capital expenditures totaled \$37.8 million. Of those expenditures, \$26.9 million related to leasehold improvements and the acquisition of furniture and fixtures for the expansion of our domestic office facilities, primarily relating to our new headquarters facility in Norwalk, Connecticut. The remaining \$10.9 million was expended in 2004 largely related to the acquisition of computer-related assets mainly for our two data centers. We executed our mainframe computer upgrade by placing into service five Hewlett-Packard Marvel mainframe computers during the first quarter of fiscal 2004, for a total of eight installed at our two data centers.

In January 2004, we purchased 2,000,000 shares of our common stock from one of our co-founders, Howard E. Wille, at a price per share of \$34.58. We purchased an additional 1,000,000 shares of our common stock in March 2004, from another co-founder, Charles J. Snyder, at a price per share of \$38.12. The total cash expended for the two common stock purchases from our co-founders was \$107.3 million.

Cash, cash equivalents and investments totaled \$98.1 million and comprised 42.7% of total assets at August 31, 2004. All our operating and capital expenditure needs were financed completely by cash flows generated by our operations. We currently have no outstanding indebtedness, other than letters of credit issued in the ordinary course of business, as discussed below.

In fiscal 2004, we renewed our 364-day revolving credit facility and continued to maintain our existing three-year credit facility. Both credit facilities (the "facilities") are available in an aggregate principal amount of up to \$25.0 million for working capital and general corporate purposes, with the facilities split into two equal tranches and maturing March 2005 and November 2004. Approximately \$3.5 million in aggregate of these credit facilities has been utilized for letters of credit issued in the ordinary course of business. We have no present plans to draw any portion of the remaining available credit of approximately \$21.5 million. We are obligated to pay a commitment fee on the unused portion of the facilities at a weighted average annual rate of 0.175%. The facilities also contain covenants that, among other things, require us to maintain minimum levels of consolidated net worth and certain leverage and fixed charge ratios.

[Table of Contents](#)

BUSINESS COMBINATIONS. On May 7, 2004, we acquired all the ownership interests of CallStreet, for \$6.5 million in cash. CallStreet is a provider of corporate conference call transcripts and event calendars to the investment community, a highly desirable content set for our clients. This acquisition is consistent with our strategy of controlling access to critical content used by our clients. This factor contributed to a purchase price in excess of fair value of the CallStreet net tangible and intangible assets, and as a result, we have recorded goodwill in connection with this transaction. The weighted average life of the intangible assets is two years. Goodwill is not deductible for income tax purposes. A summary of the CallStreet purchase price allocation consists of the following:

THOUSANDS	May 7, 2004
Tangible assets	\$ 107
Acquired technology and other intangible assets	1,816
Goodwill	6,260
	8,183
Other liabilities assumed	(1,705)
Net cash paid	\$ 6,478

The operating results of CallStreet are included in our financial statements from the date of acquisition. Pro forma statements of income have not been presented because the effect of this acquisition was not material to our consolidated financial results.

Share Repurchases

On July 16, 2002, the Board of Directors authorized a share repurchase program to acquire shares of our outstanding common stock in open market or negotiated transactions. This program authorized the repurchase of up to 1,000,000 shares of our common stock. The program established no set minimum number of shares for repurchase. During fiscal 2004, we repurchased 65,000 shares at an average cost of \$37.59 per share under this program. Since the inception of the stock repurchase program, we have repurchased approximately 772,000 shares at an average cost of \$26.64 per share under this program.

In January 2004, we purchased 2,000,000 shares of our common stock from one of our two co-founders, Howard E. Wille, at a price per share of \$34.58. In March 2004, we purchased an additional 1,000,000 shares of our common stock from our other co-founder, Charles J. Snyder, at a price per share of \$38.12. The Board of Directors approved both purchases of common stock from our co-founders prior to the execution of those purchases. The total cash expended for the two common stock purchases from our co-founders was \$107.3 million.

SUBSEQUENT EVENT. On September 1, 2004, we acquired all the outstanding shares of the JCF Group (“JCF”) of companies. JCF, based in Paris and London, was a provider of global broker estimates and other financial and macroeconomic data to institutional investors. JCF provides access to its proprietary content set via JCF Quant, a Microsoft® Windows-based application, as well as via electronic data feeds. The acquisition enables us to provide our clients with an additional option in this important estimates content area. The preliminary purchase price of the JCF acquisition is \$65.2 million, which was paid in cash and the issuance of 257,067 common shares. In addition, up to €5,000,000 of contingent consideration will be payable if certain subscription targets are met during the two years following the closing of the transaction.

Contractual Obligations

Fluctuations in our operating results, the degree of success of our accounts receivable collection efforts, the timing of tax and other payments as well as continued growth of our operations will impact our liquidity and cash flows in future periods. The effect of our contractual obligations on our liquidity and capital resources in future periods should be considered in conjunction with the factors mentioned here.

Table of Contents

The following table summarizes our significant contractual obligations as of August 31, 2004, and the corresponding effect that these obligations will have on our liquidity and cash flows in future periods. Amounts in this table exclude amounts already recorded on our Consolidated Statement of Financial Condition at August 31, 2004:

	Payments due by period				Total
	2005	2006-2008	2009-2011	2012 and thereafter	
(IN THOUSANDS)					
Long-term debt	\$ —	\$ —	\$ —	\$ —	\$ —
Capital Purchase Obligations ⁽¹⁾	3,706	310	—	—	4,016
Operating leases	6,454	17,355	16,028	28,171	68,008
Purchase obligations ⁽²⁾	8,079	4,520	—	—	12,599
Business Purchase Obligations ⁽³⁾	62,532	—	—	—	62,532
Other long-term liabilities	—	—	—	—	—
Total contractual obligations	\$80,771	\$22,185	\$16,028	\$ 28,171	\$147,155

(1) Capital purchase obligations represent contractual obligations for construction or acquisitions of fixed assets. These obligations are not recorded as liabilities on our Consolidated Statement of Financial Condition as we have not yet received the related goods or taken title to the property.

(2) Purchase obligations represents payments due in future periods in respect of commitments to purchase goods and services such as telecommunication and computer maintenance services as well as commitments to our various data vendors.

(3) Business acquisition obligations represent our contractual obligation to consummate the acquisition of the JCF group of companies in September 2004. This amount represents the cash and common stock to be paid by us to effectuate the acquisition. This amount excludes professional fees and other expenses incurred to complete the acquisition.

Purchase orders do not necessarily reflect a binding commitment but are merely indicative of authorizations to purchase rather than amounts for which we are contractually obligated to make corresponding disbursements. For the purpose of this tabular disclosure, purchase obligations for goods and services are defined as agreements that are enforceable and legally binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. It is expected that all the contractual obligations noted in the table will be funded from existing cash and cash flows from operations.

Any contractual obligations contingent upon the achievement of certain milestones are excluded from the table above. Specifically related to the JCF transaction, up to €5,000,000 of contingent consideration will be payable if certain subscription targets are met during the two years following the closing of the transaction. As of August 31, 2006, additional required payments of €5,000,000 will be made, provided that all targets are achieved or exceeded.

Expected timing pertaining to the contractual obligations included in the table above has been estimated based on information currently available. The amounts paid and timing of those payments may differ based on when the goods and services provided by our vendors to whom we are contractually obligated are actually received as well as due to changes to agreed upon amounts for any of our obligations. Contingent contractual obligation amounts are dependent on the targets being achieved and can vary significantly.

Off-Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K as of August 31, 2004.

NEW ACCOUNTING PRONOUNCEMENTS. In December 2003, the SEC issued Staff Accounting Bulletin (“SAB”) No. 104, *Revenue Recognition*, which supersedes SAB 101, *Revenue Recognition in Financial Statements*. The adoption of SAB 104 did not have a material impact on our consolidated results of operations or financial position. SAB 104 primarily rescinds the accounting guidance contained in SAB 101 related to multiple-element revenue arrangements that was superseded as a result of the issuance of EITF 00-21. While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104, which was effective upon issuance.

[Table of Contents](#)

Critical Accounting Policies

In December of 2001, the SEC issued FR 60, *Cautionary Advice Regarding Disclosure About Critical Accounting Policies*, and in January of 2002, the SEC issued FR 61, *Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations*. We are making certain incremental disclosures in our critical accounting policies below pursuant to these changes. We do not engage in off-balance sheet financing activities other than operating leases, nor do we make use of derivatives transactions or engage in significant related-party transactions (other than the stock purchases from our founders, noted above). Lease commitments and credit lines are disclosed in the quarterly reports on Form 10-Q and annual report on Form 10-K for each fiscal year. Moreover, we have determined that the following represent our critical accounting policies.

Revenue Recognition

We apply SAB 104 to our business arrangements for revenue recognition. Our company does not license, sell, lease or market computer software. Clients are invoiced monthly, in arrears, to reflect the actual services rendered to them. Subscription revenue is earned each month as the service is rendered to clients, according to the specific subscription and the number of workstations deployed for such month. A provision is made to allow for billing adjustments as a result of cancellation of service or reduction in the number of workstations. Such provisions are accounted for as a reduction of subscription revenue, with a corresponding reduction to subscriptions receivable.

We recognize revenue when all the following criteria are met:

- The client subscribes to our research services,
- our service has been rendered and earned during the month,
- the amount of the subscription is fixed and determinable based on established rates for each product offering, quoted on an annualized basis, and
- collectibility is reasonably assured.

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 and clearing brokers, net. 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 fees.

Under the guidance in SAB 104, our subscriptions represent a single earnings process. Collection of subscription revenues through FactSet Data Systems, Inc.'s ("FDS") external clearing brokers does not represent a separate service or earnings process since FDS is not the principal party to the settlement of the securities transactions for which the clearing brokers charge clearing fees.

Receivable Reserves

Our client base has generally been of a high quality and, as such, we have not historically experienced high credit-related write-offs. Aged client receivables are analyzed each month and our collection efforts are directed accordingly. We take historical company information, industry trends and general market conditions into account in estimating reserves, and apply a percentage to the month-end client receivable balance. Additionally, we also include amounts relating to the estimated cancellations and billing adjustments we discussed above in our receivable reserves. Actual cancellations and billing adjustments could differ from those estimated amounts and could have an impact on the financial statements of higher or lower expense.

Valuation of Goodwill

In September 2001, we adopted SFAS 142, which requires that a goodwill impairment test be completed during the first six months of the year the standard is adopted. SFAS 142 further requires a separate annual goodwill impairment test to be performed each year along with additional goodwill impairment tests on an event-driven basis. We performed our goodwill impairment test during the quarter ended February 28, 2002, and noted that goodwill had not been impaired. We performed an annual goodwill impairment test during the fourth quarter of fiscal years 2004, 2003 and 2002 and determined that there had been no impairment. On an ongoing basis, we will evaluate the acquired businesses and

[Table of Contents](#)

related assets for indications of potential impairment. We may base our judgment regarding the existence of impairment indicators on market conditions, legal and technological factors and the operational performance of the Company. Future events could cause us to conclude that indicators of impairment do exist and that goodwill associated with our previous acquisitions is impaired, which could result in an impairment loss in the Statement of Income and a write-down of the related asset.

Long-lived Assets

We depreciate computers and related equipment on a straight-line basis over estimated useful lives of three years or less. Furniture and fixtures are depreciated over estimated useful lives of five to seven years using a double declining balance method. We amortize leasehold improvements on a straight-line basis over the shorter of the related lease terms or the estimated useful lives of the improvements. The potential impairment of our fixed assets is evaluated whenever changes in circumstances or events indicate that the carrying value of the fixed assets may not be recoverable. Factors that may cause an impairment review of fixed assets include, but are not limited to, the following:

- significant changes in technology that make current computer-related assets that we use in our operations obsolete or less useful; and
- significant changes in the way we use these assets in our operations.

After we acquired Innovative Systems Techniques, Inc. (“Insyte”), LionShares, Mergerstat and CallStreet, we recorded assets for intangible assets on our Consolidated Statements of Financial Condition. We review intangibles for evidence of impairment whenever changes in circumstances or events indicate that the carrying value of the intangible assets may not be recoverable.

Intangible assets consist of acquired technology and certain acquired content databases resulting from the acquisitions of the Insyte, LionShares, Mergerstat, and CallStreet businesses and are amortized on a straight-line basis using estimated useful lives ranging between two and ten years.

Accounting for Income Taxes

We estimate our income taxes in each of the jurisdictions in which we operate. Deferred taxes are determined by calculating the future tax consequences associated with differences between financial accounting and tax bases of assets and liabilities. As a result of this process, we recognize deferred tax assets and liabilities, which are recorded in the Consolidated Statements of Financial Condition. A valuation allowance is established to the extent that it is considered more likely than not that some portion or all the deferred tax assets will not be realized. To the extent a valuation allowance is established or adjusted in a period, we include this amount in the Consolidated Statement of Income as an expense or benefit within the provision for income taxes.

Accrued Liabilities

In conformity with generally accepted accounting principles, we make significant estimates in determining our accrued liabilities. Accrued liabilities include estimates relating to employee compensation, operating expenses and tax liabilities. Most of our employee incentive compensation programs are discretionary. A final review of departmental performance is conducted each year end, with senior management and the Board of Directors determining the ultimate amount of discretionary bonus pools. We also review compensation throughout the year to determine how overall performance tracks against managers’ expectations. Management takes these and other factors, including historical performance, into account in reviewing accrued compensation estimates quarterly and adjusting accrual rates as appropriate. Because final reviews are not normally completed until after the year-end closing cycle, it is possible that actual amounts ultimately approved could differ from amounts previously accrued based upon information available prior to the final reviews. As such, the difference, if any, will be recorded in the period in which the estimate is changed and would result in higher or lower expense.

Forward-Looking Factors

Dividend Payment

On August 16, 2004, we announced a regular quarterly dividend of \$0.07 per share. The cash dividend was paid on September 21, 2004, to common stockholders of record on August 31, 2004.

[Table of Contents](#)

Income Taxes

In the normal course of business, our tax filings are subject to audit by federal, state and foreign tax authorities. Audits by two tax authorities are presently ongoing. Although there is inherent uncertainty in the audit process, we have no reason to believe that such audits will result in the payment of additional taxes or penalties or both that would have a material adverse effect on our results of operations or financial position, beyond current estimates.

Market Sensitivities

We are exposed to various economic and financial risks associated with equity and foreign currency markets as well as risks related to interest rate fluctuations during the normal course of business. The major equity indices (for example Dow Jones 30 Industrials, Russell 2000®, Nasdaq Composite®, and MSCI European Index) have experienced significant volatility since March 2000. Continued volatility in general economic and market conditions is still possible in the near future. External factors such as the threat of terrorist activities or rising energy prices could undermine any potential continued economic recovery. A decline in the worldwide markets could adversely impact a significant number of our clients (primarily investment management firms and investment banks) and increase the likelihood of personnel and spending reductions among our existing and potential clients. Continued investigations into the investment management industry by various regulatory bodies could have an adverse effect on our business. A policy of persistent interest rate increases adopted by the Federal Reserve Bank and/or continued inflationary pressures could derail the current economic recovery and adversely affect the operations of our clients. In addition, changes to regulations regarding soft dollar payments could have a negative impact on our operations.

The fair market value of our investment portfolio at August 31, 2004 was \$19.5 million. It is anticipated that the fair market value of our portfolio will continue to be immaterially affected by fluctuations in interest rates. Preservation of principal is the primary goal of our investment portfolio. Pursuant to our established investment guidelines, third-party managers construct portfolios to achieve high levels of credit quality, liquidity and diversification. Our investment policy dictates that the weighted-average duration of short-term investments may not exceed two years. Our investment guidelines do not permit us to invest in puts, calls, strips, short sales, straddles, options or futures, nor are we permitted to invest on margin. Because we have no outstanding long-term indebtedness and we have a restrictive investment policy, our financial exposure to fluctuations in interest rates is expected to remain low.

Forward-Looking Statements

This Management's Discussion and Analysis contains forward-looking statements that are based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future, including statements about our strategy for growth, product development, market position, subscriptions and expected expenditures and financial results are forward-looking statements. Forward-looking statements may be identified by words like "expected," "anticipates," "plans," "intends," "projects," "should," "indicates," "continues," "subscriptions," "commitments" and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions ("future factors"). Therefore, actual results may differ materially from what is expressed or forecasted in such forward-looking statements. We will publicly update forward-looking statements as a result of new information or future events in accordance with applicable Securities and Exchange Commission regulations.

Future factors include, but are not limited to, our ability to hire and retain qualified personnel; the maintenance of our leading technological position; our ability to integrate acquisitions; the impact of global market trends on our revenue growth rate and future results of operations; the negotiation of contract terms supporting new and existing databases or products; our ability to conclude various strategic transactions; retention of key clients and their current service levels; increased competition in our industry; the successful resolution of ongoing and other probable audits by tax authorities; the continued employment of key personnel; and the absence of U.S. or foreign governmental regulation restricting international business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operation – "Forward-Looking Factors" entitled "Market Sensitivities" and "Forward-Looking Statements", which are incorporated herein by reference.

[Table of Contents](#)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	page 17
Consolidated Statements of Income for the years ended August 31, 2004, 2003 and 2002	page 18
Consolidated Statements of Financial Condition as of August 31, 2004 and 2003	pages 19-20
Consolidated Statements of Changes in Stockholders' Equity for the years ended August 31, 2004, 2003 and 2002	page 21
Consolidated Statements of Cash Flow for the years ended August 31, 2004, 2003 and 2002	page 22
Notes to Consolidated Financial Statements	pages 23-37

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of FactSet Research Systems Inc.

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of FactSet Research Systems Inc. and its subsidiaries at August 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Stamford, Connecticut
September 20, 2004

Consolidated Statements of Income

THOUSANDS, EXCEPT PER SHARE DATA

YEARS ENDED AUGUST 31,	2004	2003	2002
Revenues	\$ 251,910	\$ 222,295	\$ 198,294
Cost of services	74,191	66,286	60,388
Selling, general and administrative	90,116	79,282	75,084
Data center relocation charge	—	—	904
Total operating expenses	164,307	145,568	136,376
Income from operations	87,603	76,727	61,918
Other income	1,772	2,289	2,319
Income before income taxes	89,375	79,016	64,237
Provision for income taxes	31,358	27,578	23,389
Net income	\$ 58,017	\$ 51,438	\$ 40,848
Basic earnings per common share	\$1.80	\$1.53	\$1.21
Diluted earnings per common share	\$1.72	\$1.48	\$1.17
Weighted average common shares (Basic)	32,272	33,637	33,642
Weighted average common shares (Diluted)	33,744	34,816	34,862

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

Consolidated Statements of Financial Condition

THOUSANDS, EXCEPT SHARE AND PER SHARE DATA

<i>Assets</i>		
AT AUGUST 31,	2004	2003
<i>Current Assets</i>		
Cash and cash equivalents	\$ 78,580	\$ 51,126
Investments	19,524	118,136
Receivables from clients and clearing brokers, net of reserves of \$1,105 in 2004 and \$1,775 in 2003	45,935	35,704
Deferred taxes	5,875	5,493
Other current assets	4,834	1,888
Total current assets	154,748	212,347
<i>Long-Term Assets</i>		
Property, equipment, and leasehold improvements, at cost	102,311	104,768
Less accumulated depreciation and amortization	(58,402)	(85,421)
Property, equipment, and leasehold improvements, net	43,909	19,347
Goodwill	19,937	13,677
Intangible assets, net	5,944	5,195
Deferred taxes	3,098	3,467
Other assets	2,291	2,126
Total Assets	\$ 229,927	\$ 256,159

Consolidated Statements of Financial Condition

THOUSANDS, EXCEPT SHARE AND PER SHARE DATA

Liabilities and Stockholder's Equity

AT AUGUST 31,	2004	2003
Current Liabilities		
Accounts payable and accrued expenses	\$ 21,123	\$ 13,793
Accrued compensation	17,328	15,228
Deferred fees	9,530	9,876
Dividends payable	2,182	2,020
Taxes payable	7,624	2,457
Total current liabilities	57,787	43,374
Deferred rent and other non-current liabilities	7,594	556
Total liabilities	65,381	43,930
Commitments and contingencies (See Notes 11 and 14)		
Stockholders' Equity		
Preferred stock, \$.01 par value, 10,000,000 shares authorized, none issued	—	—
Common stock, \$.01 par value, 100,000,000 shares authorized, 35,436,081 and 34,855,799 shares issued; 31,167,871 and 33,660,219 shares outstanding at August 31, 2004 and 2003, respectively	352	346
Capital in excess of par value	60,420	47,413
Treasury stock, at cost: 4,268,210 and 1,195,580 shares at August 31, 2004 and 2003, respectively	(139,504)	(28,991)
Retained earnings	243,324	193,611
Accumulated other comprehensive loss	(46)	(150)
Total stockholders' equity	164,546	212,229
Total Liabilities and Stockholders' Equity	\$ 229,927	\$256,159

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

Consolidated Statements of Changes in Stockholders' Equity

THOUSANDS

YEARS ENDED AUGUST 31,	2004	2003	2002
Common Stock			
Balance, beginning of year	\$346	\$340	\$334
Common stock issued for employee stock plans (See Note 12)	6	6	6
Balance, end of year	352	346	340
Capital in Excess of Par Value			
Balance, beginning of year	47,413	33,803	25,832
Common stock issued for employee stock plans	11,690	11,498	6,312
Income tax benefits from stock option exercises	1,317	2,112	1,659
Balance, end of year	60,420	47,413	33,803
Treasury Stock			
Balance, beginning of year	(28,991)	(6,880)	(2,816)
Repurchase of common stock (See Notes 3 and 12)	(110,513)	(22,111)	(4,064)
Balance, end of year	(139,504)	(28,991)	(6,880)
Retained Earnings			
Balance, beginning of year	193,611	149,561	114,774
Net income	58,017	51,438	40,848
Dividends	(8,304)	(7,388)	(6,061)
Balance, end of year	243,324	193,611	149,561
Accumulated Other Comprehensive (Loss) Income			
Balance, beginning of year	(150)	142	138
Changes in unrealized (loss) gain on investments, net of income taxes	104	(292)	4
Balance, end of year	(46)	(150)	142
Total Stockholders' Equity			
Balance, beginning of year	212,229	176,966	138,262
Common stock issued for employee stock plans	11,696	11,504	6,318
Repurchase of common stock	(110,513)	(22,111)	(4,064)
Changes in unrealized gain (loss) on investments, net of income taxes	104	(292)	4
Income tax benefits from stock option exercises	1,317	2,112	1,659
Net income	58,017	51,438	40,848
Dividends	(8,304)	(7,388)	(6,061)
Balance, end of year	\$164,546	\$212,229	\$176,966
Comprehensive Income			
Net income	\$58,017	\$51,438	\$40,848
Changes in unrealized gain (loss) on investments, net of income taxes	104	(292)	4
Comprehensive Income	\$58,121	\$51,146	\$40,852

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

Consolidated Statements of Cash Flow

THOUSANDS

YEARS ENDED AUGUST 31,	2004	2003	2002
Cash Flows from Operating Activities			
Net income	\$58,017	\$51,438	\$40,848
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	14,658	17,541	18,276
Deferred tax (benefit) expense	(693)	1,458	(2,070)
Gain on sale of equipment	(316)	(80)	—
Accrued ESOP contribution	2,240	2,450	2,160
Net income adjusted for non-cash items	73,906	72,807	59,214
Changes in assets and liabilities, net of effects of acquisitions			
Receivables from clients and clearing brokers, net	(10,163)	(3,786)	(696)
Accounts payable and accrued expenses	6,708	2,366	5,244
Accrued compensation	2,292	1,348	2,390
Deferred fees	(1,127)	(1,089)	1,631
Taxes payable	5,167	934	(2,924)
Other working capital accounts, net	(1,730)	19	177
Income tax benefits from stock option exercises	1,317	2,112	1,659
Net cash provided by operating activities	76,370	74,711	66,695
Cash Flows from Investing Activities			
Acquisition of businesses, net of cash acquired	(6,478)	(7,702)	100
Proceeds from sales (purchases) of investments	98,716	(32,411)	(45,291)
Landlord contributions to leasehold improvements	6,092	—	—
Purchases of property, equipment and leasehold improvements	(37,838)	(8,457)	(10,021)
Net cash provided by (used in) investing activities	60,492	(48,570)	(55,212)
Cash Flows from Financing Activities			
Dividend payments	(7,736)	(6,673)	(5,377)
Repurchase of common stock	(110,513)	(22,111)	(4,064)
Proceeds from employee stock plans	8,841	8,950	4,194
Net cash used in financing activities	(109,408)	(19,834)	(5,247)
Net increase in cash and cash equivalents	27,454	6,307	6,236
Cash and cash equivalents at beginning of year	51,126	44,819	38,583
Cash and cash equivalents at end of year	\$78,580	\$51,126	\$44,819
Supplemental Disclosure of Cash Flow Information			
Cash paid during the year for income taxes	\$27,884	\$22,774	\$28,087
Supplemental Disclosure of Non-Cash Transactions			
Dividends declared, not paid	\$2,182	\$2,020	\$1,689

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

Notes to Consolidated Financial Statements

1. ORGANIZATION AND NATURE OF BUSINESS

FactSet Research Systems Inc. (the “Company” or “FactSet”) provides online integrated database services to the global investment community. The Company combines more than 200 databases into a single online source of information and analytics. FactSet’s revenues are derived from month-to-month subscription charges.

Solely at the option of each client, these charges may be paid either in commissions from securities transactions or in cash. To facilitate the payment for services in commissions, the Company’s wholly owned subsidiary, FactSet Data Systems, Inc. (“FDS”), is a member of the National Association of Securities Dealers, Inc. and is a registered broker-dealer under Section 15 of the Securities and Exchange Act of 1934. Services paid in commissions are derived from securities transactions introduced and cleared on a fully disclosed basis primarily through two clearing brokers. That is, 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.

FactSet Limited, FactSet France, Inc., FactSet GmbH, FactSet Pacific, Inc., LionShares Europe S.A.S., Innovative Systems Techniques, Inc. (“Insyte”), FactSet Mergerstat, LLC (“Mergerstat”) and CallStreet, LLC (“CallStreet”) are wholly owned subsidiaries of the Company, with operations in London, Paris, Frankfurt, Tokyo, Hong Kong, Sydney, Avon (France), New York, Boston and Santa Monica, California. The Company dissolved eLumient.com, Insyte’s wholly owned, inactive subsidiary, on December 23, 2002.

2. ACCOUNTING POLICIES

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 intercompany activity and balances have been eliminated from the consolidated financial statements.

USE OF ESTIMATES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 that include income and other taxes, depreciable lives of fixed assets, accrued liabilities, accrued compensation, receivable reserves and allocation of purchase price to assets and liabilities acquired. Actual results could differ from those estimates.

REVENUE RECOGNITION. FactSet applies Staff Accounting Bulletin No. 104 (“SAB 104”), *Revenue Recognition*, to its business arrangements for revenue recognition. Clients are invoiced monthly, in arrears, to reflect the actual services rendered to them. Subscription revenue is earned each month as the service is rendered to clients, according to the specific subscription and the number of workstations deployed for such month. A provision is made to allow for billing adjustments as a result of cancellation of service or reduction in number of workstations. Such provisions are accounted for as a reduction of subscription revenue, with a corresponding reduction to subscriptions receivable. FactSet recognizes revenue when all the following criteria are met:

- The client subscribes to FactSet’s research services,
- the FactSet service has been rendered and earned during the month,
- the amount of the subscription is fixed and determinable based on established rates for each product offering, quoted on an annualized basis, and
- collectibility is reasonably assured.

Under the guidance in SAB 104, the Company’s subscriptions represent a single earnings process. Collection of subscription revenues through FDS’s external clearing brokers does not represent a separate service or earnings process since FDS is not the principal party to the settlement of the securities transactions for which the clearing brokers charge clearing fees.

[Table of Contents](#)

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 and clearing brokers, net. As of August 31, 2004, the amount of receivables from clients and clearing brokers, net that was unbilled totaled \$23.9 million. Since the Company invoices its clients monthly in arrears, the \$23.9 million unbilled as of August 31, 2004 was billed at the beginning of September 2004. 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 fees.

The Company calculates a receivable reserve through analyzing aged client receivables each month and reviewing historical company information, industry trends and general market conditions.

COST OF SERVICES. Cost of services is composed of employee compensation and benefits for the software engineering and consulting groups, clearing fees net of recoveries, data costs, amortization of identifiable intangible assets, computer maintenance and depreciation expenses and client-related communication costs.

SELLING, GENERAL & ADMINISTRATIVE. Selling, general and administrative expenses include employee compensation and benefits for the sales, product development and various other support departments, travel and entertainment expenses, promotional costs, rent, amortization of leasehold improvements, depreciation of furniture and fixtures, office expenses, professional fees and other expenses.

CLEARING FEES. Clearing fees are expensed as a cost of service in the period incurred, at the time that a client executes securities transactions through clearing brokers. The Company earns the right to recover the clearing fee from its clients at the time the securities transactions are executed, which is the period in which the clearing fees are incurred. This cost recovery is recorded as a reduction of cost of services. Clearing fees and the related cost recovery in fiscal years 2004, 2003 and 2002 approximated \$7.6 million, \$8.0 million and \$7.6 million, respectively.

CASH AND CASH EQUIVALENTS. Cash and cash equivalents consist of demand deposits and money market investments with maturities of 90 days or less and are reported at fair value.

INVESTMENTS. Investments have maturities greater than 90 days from the date of acquisition, are classified as available-for-sale securities and are reported at fair value. Fair value is determined for most investments from readily available quoted market prices. Unrealized gains and losses on available-for-sale securities are included net of tax in accumulated other comprehensive income in stockholders' equity.

PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS. Computers and related equipment are depreciated on a straight-line basis over estimated useful lives of three years or less. Depreciation of furniture and fixtures is recognized using the double declining balance method over estimated useful lives between five years and seven 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.

GOODWILL. Goodwill has resulted from the acquisitions of the Insyte, LionShares, Mergerstat, and CallStreet businesses. We performed an annual goodwill impairment test during the fourth quarter of fiscal years 2004, 2003 and 2002 and determined that there had been no impairment.

INTANGIBLE ASSETS. Intangible assets primarily consist of acquired technology and certain acquired content databases resulting from the acquisitions of the Insyte, LionShares, Mergerstat, and CallStreet businesses and are amortized on a straight-line basis using estimated useful lives ranging between two and ten years.

INTERNAL USE SOFTWARE. The Company capitalizes only those direct costs incurred during the application development and implementation stages for developing, purchasing or otherwise acquiring software for internal use that management believes have a probable future application in the Company's subscription-based service. These costs are amortized over the estimated useful lives of the underlying software, generally three years or less. All costs incurred during the preliminary planning project stage, including project scoping, identification

[Table of Contents](#)

and testing of alternatives, are expensed as incurred. Capitalized direct costs associated with developing, purchasing or otherwise acquiring software for internal use are reported in the Property, Equipment & Leasehold Improvements line item of the Company's Consolidated Statements of Financial Condition. These costs are amortized on a straight-line basis over the expected useful life of the software, beginning when the software is implemented and ready for its intended use.

LANDLORD CONTRIBUTIONS TO LEASEHOLD IMPROVEMENTS In conjunction with entering into leases for office space, the Company receives contributions from landlords toward leasehold improvements which are included in the Deferred Rent and Other Non-Current Liabilities line item of the Company's Consolidated Statements of Financial Condition. These contributions are amortized as a reduction to rent expense over the non-cancelable lease terms to which they pertain, primarily fifteen years.

ACCRUED LIABILITIES. Accrued liabilities include estimates relating to employee compensation, operating expenses and tax liabilities. Most of our employee incentive compensation programs are discretionary. A final review of departmental performance is conducted each year end, with senior management and the Board of Directors determining the ultimate amount of discretionary bonus pools.

INCOME AND DEFERRED TAXES. Deferred taxes are determined by calculating the 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 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. 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.

COMPREHENSIVE INCOME (LOSS). The Company reports comprehensive income (loss) in accordance with SFAS No. 130, *Reporting Comprehensive Income*. SFAS No. 130 establishes standards for the reporting and display of comprehensive income (loss) in a set of financial statements. Comprehensive income (loss) is defined as the change in net assets of a business enterprise during a period from transactions generated from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

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 plans. Diluted earnings per share are based on the weighted average number of common shares and potentially dilutive common shares 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. The Company follows the disclosure-only provisions of Financial Accounting Standards Board Statement No. 123 ("SFAS 123"), *Accounting for Stock-Based Compensation*. In December 2002, the Financial Accounting Standards Board issued Statement No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*. This statement provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. The statement also amends the disclosure requirements of SFAS 123, to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock based employee compensation and the effect of the method used on reported results. As permitted by SFAS 123, the Company accounts for its stock option and employee stock purchase plans under APB Opinion No. 25, under which no compensation cost has been recorded. Stock option exercise prices equal the fair market value of the Company's stock price on the date of grant; thus no compensation costs are recorded. Had compensation costs for the Company's stock option plans and employee stock purchase plan been determined pursuant to the measurement principles under SFAS 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts for fiscal years 2004, 2003 and 2002.

[Table of Contents](#)

THOUSANDS, EXCEPT PER SHARE DATA
YEARS ENDED AUGUST 31,

	2004	2003	2002
Net income, as reported	\$58,017	\$51,438	\$40,848
Deduct: Stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(7,135)	(7,512)	(7,298)
Pro forma net income	\$50,882	\$43,926	\$33,550
Basic—as reported	\$1.80	\$1.53	\$1.21
Basic—pro forma	\$1.58	\$1.31	\$1.00
Diluted—as reported	\$1.72	\$1.48	\$1.17
Diluted—pro forma	\$1.51	\$1.26	\$0.96

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in fiscal years 2004, 2003 and 2002:

Stock Option Plans

YEARS ENDED AUGUST 31,	2004	2003	2002
Risk-free interest rate	2.57%	2.29%	3.66%
Expected life	4.1 years	4.0 years	4.0 years
Expected volatility	50%	53%	52%
Dividend yield	0.7%	0.6%	0.6%

Employee Stock Purchase Plan

YEARS ENDED AUGUST 31,	2004	2003	2002
Risk-free interest rate	1.16%	1.31%	2.13%
Expected life	3 months	3 months	3 months
Expected volatility	28%	44%	54%
Dividend yield	0.6%	0.6%	0.6%

NEW ACCOUNTING PRONOUNCEMENTS. In December 2003, the SEC issued Staff Accounting Bulletin (“SAB”) No. 104, *Revenue Recognition*, which supersedes SAB 101, *Revenue Recognition in Financial Statements*. The adoption of SAB 104 did not have a material impact on FactSet’s consolidated results of operations or financial position. SAB 104 primarily rescinds the accounting guidance contained in SAB 101 related to multiple-element revenue arrangements that was superseded as a result of the issuance of EITF 00-21. While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104, which was effective upon issuance.

[Table of Contents](#)

3. COMMON STOCK AND EARNINGS PER SHARE

On August 16, 2004, the Company announced a regular quarterly dividend of \$0.07 per share. The cash dividend was paid on September 21, 2004, to common stockholders of record on August 31, 2004. Shares of common stock outstanding were as follows:

THOUSANDS YEARS ENDED AUGUST 31,	2004	2003	2002
Balance, beginning of year	33,660	33,788	33,356
Common stock issued for employee stock plans (see Note 12)	581	629	601
Repurchase of common stock	(3,073)	(757)	(169)
Balance, end of year	31,168	33,660	33,788

On July 16, 2002, the Board of Directors authorized a share repurchase program to acquire shares of the Company's outstanding common stock in open market or negotiated transactions. This program authorized the repurchase of up to 1,000,000 shares of FactSet common stock. The program established no minimum number of shares for repurchase. During fiscal 2004, the Company repurchased approximately 65,000 shares at an average cost of \$37.59 per share under this program. Since the inception of the stock repurchase program, FactSet has purchased approximately 772,000 shares at an average cost of \$26.64 per share under this program.

In January 2004, the Company purchased 2,000,000 shares of its common stock from one of its co-founders, Howard E. Wille, at a price per share of \$34.58. In March 2004, the Company purchased an additional 1,000,000 shares of its common stock from its other co-founder, Charles J. Snyder, at a price per share of \$38.12.

A reconciliation between the weighted average shares outstanding used in the basic and diluted earnings per share ("EPS") computations is as follows:

THOUSANDS, EXCEPT PER SHARE DATA AT AUGUST 31,	NET INCOME (NUMERATOR)			WEIGHTED AVERAGE COMMON SHARES (DENOMINATOR)			PER SHARE AMOUNT		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Basic EPS									
Income available to common stockholders	\$58,017	\$51,438	\$40,848	32,272	33,637	33,642	\$1.80	\$1.53	\$1.21
Diluted EPS									
Dilutive effect of stock options				1,472	1,179	1,220			
Income available to common stockholders	\$58,017	\$51,438	\$40,848	33,744	34,816	34,862	\$1.72	\$1.48	\$1.17

4. BUSINESS COMBINATIONS

On May 7, 2004, the Company acquired all the ownership interests of CallStreet, LLC ("CallStreet") for \$6.5 million in cash. CallStreet is a provider of corporate conference call transcripts and event calendars to the investment community, a highly desirable content set for the Company's clients. This acquisition is consistent with the Company's strategy of controlling access to critical content used by its clients. This factor contributed to a purchase price in excess of fair value of the CallStreet net tangible and intangible assets, and as a result, the Company has recorded goodwill in connection with this transaction. The weighted average life of the intangible assets is two years. Goodwill is not deductible for income tax purposes.

[Table of Contents](#)

A summary of the CallStreet purchase price allocation consists of the following:

THOUSANDS	MAY 7, 2004
Tangible assets	\$ 107
Acquired technology and other intangible assets	1,816
Goodwill	6,260
	8,183
Other liabilities assumed	(1,705)
Net cash paid	\$ 6,478

Operating results of CallStreet have been included in the Company's financial statements from the date of acquisition. Pro forma statements of income have not been presented because the effect of this acquisition was not material to the Company's consolidated financial results.

5. INTANGIBLE ASSETS AND GOODWILL

In June 2001, the Financial Accounting Standards Board issued Statement No. 141 ("SFAS 141"), *Business Combinations*, and Statement No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets*. The Company adopted both of these standards effective September 1, 2001. The provisions of SFAS 141 require that business combinations initiated subsequent to June 30, 2001, be accounted for under the purchase method of accounting. SFAS 141 also establishes certain criteria related to the types of intangible assets that are required to be recognized separate from goodwill. As a result of applying the provisions of SFAS 142, the Company no longer amortizes, on a periodic basis, goodwill that resulted from business combinations consummated prior to June 30, 2001. In connection with the adoption of SFAS 142, the Company is required to perform a transitional impairment assessment of goodwill within six months of adoption of this standard. SFAS 142 requires that the Company identify its reporting units and determine the carrying value of each of those reporting units by assigning assets and liabilities, including existing goodwill and intangible assets, to those reporting units.

The Company completed its transitional impairment assessment of goodwill during the second quarter of fiscal 2002 and determined that goodwill was not impaired. The Company performs its annual goodwill impairment test during the fourth quarter of each fiscal year, as well as any additional impairment test required on an event-driven basis. In the fourth quarter of fiscal 2004, 2003 and 2002, the Company performed its annual goodwill impairment test and determined that goodwill was not impaired. During fiscal 2004, \$6,260,000 of goodwill was acquired as a result of the purchase of the CallStreet business. Goodwill of \$19,937,000 at August 31, 2004 is included within the U.S. segment. Prior to the adoption of SFAS 142, the Company amortized goodwill on a straight-line basis over useful lives of seven to 15 years.

The Company's identifiable intangible assets consist of acquired technology and certain acquired content databases resulting from the acquisitions of the Insyte, LionShares, Mergerstat and CallStreet businesses in August 2000, April 2001, January 2003 and May 2004, respectively. During fiscal 2004, \$1,816,000 of identifiable intangible assets were added as a result of the purchase of the CallStreet business. The acquired businesses and related assets have been fully integrated into the Company's operations. The weighted average useful life of the acquired intangible assets is 7.32 years. These intangible assets have no assigned residual values. During fiscal 2004, the Company reassessed the estimated useful lives and classification of its identifiable intangible assets and determined that they are still appropriate.

The gross carrying amounts and accumulated amortization totals related to the Company's acquired technology and other intangible assets were approximately \$8,254,000 and \$2,310,000 at August 31, 2004, \$6,438,000 and \$1,244,000 at August 31, 2003 and \$2,243,000 and \$654,000 at August 31, 2002, respectively.

[Table of Contents](#)

Amortization expense of approximately \$1,066,000, \$590,000 and \$344,000 was recorded during fiscal years 2004, 2003 and 2002. Estimated amortization expense of the identifiable intangible assets (primarily acquired technology) for the five succeeding fiscal years is as follows:

THOUSANDS YEARS ENDED AUGUST 31,		ESTIMATED AMORTIZATION EXPENSE
2005	\$	1,672
2006		1,341
2007		659
2008		420
2009		420
Thereafter		1,432
Total		5,944

6. RECEIVABLES FROM CLIENTS AND CLEARING BROKERS, NET

Receivables from clients and clearing brokers, net consisted of the following:

THOUSANDS AT AUGUST 31,	2004	2003
Receivables from clients, net	\$ 45,637	\$ 35,561
Receivables from clearing brokers	298	143
Receivables from clients and clearing brokers, net	\$ 45,935	\$ 35,704

Receivables from clients are reflected net of receivable reserves of \$1.1 million and \$1.8 million at August 31, 2004 and 2003, respectively.

7. INVESTMENTS

The Company maintains a portfolio of investments that is managed to preserve principal. Under the investment guidelines established by the Company, third-party managers construct portfolios to achieve liquidity, credit quality and diversification. The weighted average duration of the Company's portfolios is managed not to exceed two years. Eligible investments include obligations issued by the U.S. Treasury and other governmental agencies, money market securities and highly rated commercial paper. Investments such as puts, calls, strips, straddles, short sales, futures, options, commodities, precious metals or investments on margin are not permitted under the Company's investment guidelines. All investments are denominated in U.S. dollars and recorded at their approximate fair values.

Investments, classified as available-for-sale securities, totaled \$19.5 million at August 31, 2004, and \$118.1 million at August 31, 2003.

[Table of Contents](#)

8. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements consist of the following:

THOUSANDS AT AUGUST 31,	2004	2003
Computers and related equipment	\$ 60,270	\$ 75,462
Leasehold improvements	29,272	16,456
Furniture, fixtures and other	12,769	12,850
Subtotal	102,311	104,768
Less accumulated depreciation and amortization	(58,402)	(85,421)
	\$ 43,909	\$ 19,347

Depreciation expense was \$13,591,000, \$16,952,000 and \$17,932,000 for fiscal 2004, 2003 and 2002, respectively.

9. INCOME TAXES

The provision for income taxes consists of the following:

THOUSANDS YEARS ENDED AUGUST 31,	2004	2003	2002
Current tax expense			
U.S. federal	\$30,846	\$24,110	\$22,632
State and local	1,205	2,011	2,827
Total current taxes	32,051	26,121	25,459
Deferred taxes			
U.S. federal	(653)	1,306	(1,917)
State and local	(40)	151	(153)
Total deferred taxes	(693)	1,457	(2,070)
Total tax provision	\$31,358	\$27,578	\$23,389

Deferred tax assets (liabilities) consist of the following:

THOUSANDS YEARS ENDED AUGUST 31,	2004	2003
Deferred tax assets (liabilities)		
Current		
Deferred fees	\$ 3,587	\$3,713
Accrued liabilities	2,149	1,886
Acquired intangible assets	139	(106)
Net current deferred taxes	5,875	5,493
Non-current		
Property, equipment and leasehold improvements, net	1,327	3,621
Deferred rent	2,791	178
Acquired technology	(1,020)	(332)
Net non-current deferred taxes	3,098	3,467
Net deferred tax assets	\$ 8,973	\$8,960

[Table of Contents](#)

Included in accounts payable and accrued expenses are accrued taxes other than income taxes of \$4.0 million and \$3.4 million at August 31, 2004 and 2003, respectively.

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 in the audit process. We have made our best estimate of probable liabilities and have recorded an estimate. Nevertheless, the Company has no reason to believe that the audits will result in additional tax payments or penalties, or both, that would have a material adverse effect on the Company's results of operations or financial position, beyond current estimates.

The provisions for income taxes differ from the amount of income tax determined by applying the U.S. statutory federal income tax rate to income before income taxes as a result of the following factors:

EXPRESSED AS A PERCENTAGE OF INCOME BEFORE INCOME TAXES	2004	2003	2002
Tax at statutory U.S. tax rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
State and local taxes, net of U.S. federal income tax benefit	2.6%	2.6%	2.8%
Other, net	(2.5%)	(2.7%)	(1.4%)
Total provision for income taxes	35.1%	34.9%	36.4%

Fiscal year 2004 included a tax benefit of \$1.5 million, included in Other, net, which related to the settlement of prior year tax returns for certain state credits, additional state and federal tax planning and certain changes in estimates. Included in fiscal 2003 is a tax benefit of \$1.3 million due to additional federal tax planning and certain changes in estimates relating to fiscal 2002 income taxes payable. In fiscal 2002, a tax benefit of \$893,000 was included in the provision for income taxes resulting from adjustments to prior years' federal and state tax returns due to a favorable state income tax ruling.

10. NET CAPITAL

As a registered broker-dealer, FDS is subject to Rule 15c3-1 under the Securities Exchange Act of 1934, which requires that FDS maintain minimum net capital equal to the greater of \$5,000 or 6.67% of aggregate indebtedness (the "minimum net capital requirement"). FDS may be prohibited from paying cash dividends to the Company if such dividends would result in its net capital falling below the minimum net capital requirement or its ratio of aggregate indebtedness to net capital exceeding 15 to 1. At all times during the years presented, FDS had net capital in excess of its minimum net capital requirement. At August 31, 2004, FDS had net capital of \$9.2 million, which was \$8.7 million in excess of its minimum net capital requirement of \$498,000. The ratio of aggregate indebtedness to net capital was 0.81 to 1.

11. LEASE COMMITMENTS

The Company leases office space domestically in Norwalk, Connecticut; Boston and Newton, Massachusetts; New York, New York; Chicago, Illinois; Manchester, New Hampshire; Reston, Virginia; Tuscaloosa, Alabama; San Mateo and Santa Monica, California; and internationally in London; Tokyo; Hong Kong; Sydney; Frankfurt; and Paris and Avon, France. The leases expire on various dates through December 2019. Total minimum rental payments associated with the leases are recorded as rent (a component of selling, general and administrative expenses) on a straight-line basis over the periods of the respective non-cancelable lease terms.

[Table of Contents](#)

At August 31, 2004, the Company's lease commitments for office space provide for the following future minimum rental payments under non-cancelable operating leases with remaining terms in excess of one year:

THOUSANDS YEARS ENDED AUGUST 31,	MINIMUM LEASE PAYMENTS
2005	\$ 6,454
2006	6,840
2007	5,283
2008	5,232
2009	5,379
Thereafter	38,820
Total	\$ 68,008

During fiscal 2004, 2003 and 2002, rental expense for all operating leases amounted to approximately \$12.7 million, \$10.4 million and \$9.9 million, respectively.

12. EMPLOYEE STOCK PLANS

EMPLOYEE RETIREMENT PLANS. The Company sponsors an Employee Stock Ownership Plan (the "Plan" or "ESOP"). The Company may make optional annual contributions for the benefit of participating employees in such amounts as designated by the Board of Directors. The Board of Directors authorized contributions in the amounts of \$2.2 million, \$2.5 million and \$2.2 million, for the years ended August 31, 2004, 2003 and 2002, respectively. Such contributions are recorded in cost of services and selling, general and administrative as compensation expense. Issuance of the related common shares occurs shortly after contributions are authorized, generally in the following fiscal year.

U.S. employees of the Company who have performed at least 1,000 hours of service during the year are eligible to participate in the Plan. The Company contribution allocated to an individual account begins to vest upon completion of the employee's third year of service at the rate of 20% in each successive year of service. Forfeited non-vested interests in the Plan are allocated to the other participants' accounts.

A distribution from the Plan may be made to an employee upon retirement, termination, death or total disability. Distributions may be paid in the form of cash or the Company's common stock. In cash distributions, the Company purchases the common stock in the participant's ESOP account at the closing price of the Company's common stock on the last day of the month in which the distribution is requested by the participant of the Plan. These repurchases of common stock from employees are included in both treasury stock on the Consolidated Statements of Changes in Stockholders' Equity and in cash flows from financing activities in the Consolidated Statements of Cash Flows.

The Plan held 1,429,609; 1,591,193; and 1,804,114 shares of the Company's common stock at August 31, 2004, 2003 and 2002, respectively.

EMPLOYEE STOCK PURCHASE PLAN. The Company implemented an Employee Stock Purchase Plan (the "Purchase Plan") in fiscal 2001 for all eligible employees. Under the Purchase Plan, shares of the Company's common stock may be purchased at three-month intervals at 85% of the lower of the fair market value of FactSet common stock on the first or the last day of each three-month period. Employee purchases may not exceed 10% of their gross compensation during an offering period. During fiscal 2004, employees purchased 54,000 shares at an average price of \$33.83. At August 31, 2004, 298,000 shares were reserved for future issuance under the Purchase Plan.

STOCK OPTION PLANS. Options granted under the Company's Stock Option Plans (the "Option Plans") expire not more than ten years from the date of grant and vest at a rate of 20% per year beginning one year after the grant date. Option exercise prices equal the fair market value of the Company's stock on the date of the option grant. Options generally are not transferable or assignable other than by will or the laws of descent and distribution. During the grantee's lifetime, they may be exercised only by the grantee.

[Table of Contents](#)

In fiscal years 2004, 2003 and 2002, incentive and nonqualified stock options to purchase 829,800; 598,000; and 966,200 shares of common stock, respectively, at prices which ranged from \$22.45 to \$37.45 were granted to employees and non-employee directors of the Company. At August 31, 2004, there were 1,202,000 shares available for future grants under the Option Plans.

A summary of the status of the Company's Option Plans at August 31, 2004, 2003 and 2002, and changes during each of the years then ended is presented below:

EQUITY COMPENSATION PLAN INFORMATION

THOUSANDS, EXCEPT PER SHARE DATA
AT AUGUST 31, 2004

PLAN CATEGORY	(A)		(B)		(C)
	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS		WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS		NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCES UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (A))
Equity compensation plans approved by security holders	4,637	\$	27.78		1,202
Equity compensation plans not approved by security holders	—		—		—
Total	4,637	\$	27.78		1,202

THOUSANDS, EXCEPT PER SHARE DATA

	2004		2003		2002	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Outstanding, beginning fiscal year	4,466	\$ 24.85	4,449	\$ 24.37	4,148	\$ 21.91
Granted	830	\$ 36.75	598	\$ 22.75	966	\$ 26.63
Exercised	(467)	\$ 15.09	(463)	\$ 16.03	(465)	\$ 6.21
Forfeited	(192)	\$ 29.08	(118)	\$ 30.61	(200)	\$ 25.61
Outstanding at fiscal year end	4,637	\$ 27.78	4,466	\$ 24.85	4,449	\$ 24.37
Exercisable at fiscal year end	2,729	\$ 25.05	2,381	\$ 22.17	1,875	\$ 18.91

[Table of Contents](#)

The following table summarizes information about stock options outstanding at August 31, 2004 (shares in thousands):

RANGE OF EXERCISE PRICES PER SHARE	NUMBER OUTSTANDING	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
		WEIGHTED AVERAGE REMAINING YEARS OF CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
\$0.90–\$20.00	905	3.8	\$ 13.37	905	\$ 13.37
\$20.01–\$30.00	1,332	7.5	\$ 24.85	625	\$ 25.08
\$30.01–\$37.45	2,400	7.1	\$ 34.85	1,199	\$ 33.85
	4,637	6.6	\$ 27.78	2,729	\$ 25.05

13. SEGMENTS

The Company has three reportable segments based on geographic operations: the United States, Europe and Asia Pacific. Each segment markets online integrated database services to investment managers, investment banks and other financial services professionals. The U.S. segment services financial institutions throughout North America, while the European and Asia Pacific segments service investment professionals located in Europe and other regions.

The European segment is headquartered in London, England and maintains office locations in Frankfurt, Germany and Paris and Avon, France. The Asia Pacific segment is headquartered in Tokyo, Japan with office locations in Hong Kong and Sydney, Australia. Mainly sales and consulting personnel staff each of these foreign branch operations. Segment revenues reflect direct sales of products and services to clients based in their respective geographic locations. There are no intersegment or intercompany sales of the FactSet service. Each segment records compensation, travel, office and other direct expenses related to its employees. Expenditures related to the Company's computing centers, data costs, clearing fees net of recoveries, income taxes and corporate headquarters charges are recorded by the U.S. segment and are not allocated to the European and Asia Pacific segments. Goodwill of \$19,937,000 at August 31, 2004 is included within the U.S. segment. The accounting policies of the segments are the same as those described in Note 2, "Accounting Policies".

[Table of Contents](#)**SEGMENT INFORMATION**

THOUSANDS	U.S.	EUROPE	ASIA PACIFIC	TOTAL
YEAR ENDED AUGUST 31, 2004				
Revenues from clients	\$200,944	\$39,247	\$ 11,719	\$251,910
Other income	1,772	—	—	1,772
Depreciation and amortization	13,622	940	96	14,658
Segment operating profit*	66,120	16,015	5,468	87,603
Provision for income taxes	31,358	—	—	31,358
Total assets	166,343	60,806	2,778	229,927
Capital expenditures	37,178	490	170	37,838
YEAR ENDED AUGUST 31, 2003				
Revenues from clients	\$178,139	\$34,088	\$ 10,068	\$222,295
Other income	2,282	7	—	2,289
Depreciation and amortization	16,179	1,265	97	17,541
Segment operating profit*	57,732	15,281	3,714	76,727
Provision for income taxes	27,578	—	—	27,578
Total assets	241,732	10,582	3,845	256,159
Capital expenditures	8,205	148	104	8,457
YEAR ENDED AUGUST 31, 2002				
Revenues from clients	\$158,929	\$29,886	\$ 9,479	\$198,294
Other income	2,318	1	—	2,319
Depreciation and amortization	16,561	1,531	184	18,276
Segment operating profit*	44,883	12,669	4,366	61,918
Provision for income taxes	23,389	—	—	23,389
Total assets	200,486	11,600	4,077	216,163
Capital expenditures	8,593	1,419	9	10,021

* Expenses, including income taxes, are not allocated or charged between segments. Expenditures associated with the Company's computer centers, clearing fees net of recoveries, data fees, income taxes and corporate headquarters charges are recorded by the U.S. segment.

GEOGRAPHIC INFORMATION

THOUSANDS YEARS ENDED AUGUST 31,	2004	2003	2002
Revenues			
United States	\$200,944	\$178,139	\$158,929
United Kingdom	24,054	21,407	20,157
Other European countries	15,193	12,681	9,729
Asia Pacific countries	11,719	10,068	9,479
Total revenues	\$251,910	\$222,295	\$198,294

THOUSANDS AT AUGUST 31,	2004	2003	2002
Long-lived Assets			
United States	\$48,676	\$22,990	\$26,482
United Kingdom	701	1,007	1,942
Other European countries	246	389	571
Asia Pacific countries	230	156	149
Total long-lived assets	\$49,853	\$24,542	\$29,144

14. REVOLVING CREDIT FACILITIES

In fiscal 2004, the Company renewed its 364-day revolving credit facility and continued to maintain its existing three-year credit facility. Both credit facilities (the "facilities") are available in an aggregate principal amount of up to \$25.0 million for working capital and general corporate purposes, with the facilities split into two equal tranches maturing March 2005 and November 2004. Approximately \$3.5 million in aggregate of these credit facilities has been utilized for letters of credit issued in the ordinary course of business. The Company has no present plans to draw any portion of the remaining available credit of approximately \$21.5 million. The Company is obligated to pay a commitment fee on the unused portion of the facilities at a weighted average annual rate of 0.175%. The facilities also contain covenants that, among other things, require the Company to maintain minimum levels of consolidated net worth and certain leverage and fixed charge ratios.

15. OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

In the normal course of business, securities transactions of commission clients of FDS are introduced and cleared through clearing brokers. Pursuant to agreements between FDS and its clearing brokers, the clearing brokers have the right to charge FDS for unsecured losses that result from a client's failure to complete such transactions. The Company has never experienced significant losses and, therefore, has not recorded a liability with regard to the right. The Company seeks to control the credit risk of nonperformance by considering the creditworthiness of its clients.

Receivables from clearing brokers represent a concentration of credit risk in that securities transactions cleared through two clearing brokers bear the potential for liability if unwound or unconsummated.

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of trade accounts receivable. We periodically review our accounts receivable for collectibility and provide for an allowance for doubtful accounts to the extent that amounts are not expected to be collected. No individual client accounted for more than 5% of total subscriptions and subscriptions from our ten largest clients did not exceed 25% of total client subscriptions.

16. SUBSEQUENT EVENT

On September 1, 2004, the Company acquired all the outstanding shares of the JCF Group of companies. JCF, based in Paris and London, was a provider of global broker estimates and other financial and macroeconomic data to institutional investors. JCF provides access to its proprietary content set via JCF Quant, a Microsoft® Windows-based application, as well as via electronic data feeds. The acquisition enables the Company to provide its clients with an additional option in this important estimates content area. The preliminary purchase price of the JCF acquisition is \$65.2 million, which was paid in cash and the issuance of 257,067 common shares. In addition, up to €5,000,000 of contingent consideration will be payable if certain subscription targets are met during the two years following the closing of the transaction.

17. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly results of operations and earnings per common share for fiscal 2004 and 2003 are as follows:

THOUSANDS, EXCEPT PER SHARE DATA	First	Second	Third	Fourth
2004				
Revenues	\$ 59,257	\$ 61,371	\$ 63,600	\$ 67,682
Cost of services	17,875	18,198	18,394	19,724
Selling, general and administrative	20,343	21,671	23,375	24,727
Income from operations	21,039	21,502	21,831	23,231
Net income	13,908	14,737	14,687	14,685
Diluted earnings per common share	\$ 0.39	\$ 0.43	\$ 0.45	\$ 0.45
Weighted average common shares (diluted)	35,540	34,164	32,549	32,654
2003				
THOUSANDS, EXCEPT PER SHARE DATA	First	Second	Third	Fourth
Revenues	\$52,818	\$55,082	\$56,832	\$57,563
Cost of services	15,751	16,387	16,673	17,475
Selling, general and administrative	19,202	19,808	20,656	19,616
Income from operations	17,865	18,887	19,503	20,472
Net income	11,536	12,147	14,268	13,487
Diluted earnings per common share	\$ 0.33	\$ 0.35	\$ 0.41	\$ 0.38
Weighted average common shares (diluted)	34,729	34,565	34,607	35,393

[Table of Contents](#)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. As of the end of the period covered by this annual report on Form 10-K, the Company's management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in ensuring that all material information required to be filed in this annual report has been made known to them in a timely fashion. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of that evaluation.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING. There was no change in our internal control over financial reporting during our fourth quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item relating to our directors and nominees, and compliance with Section 16(a) of the Securities Act of 1934, is included under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” contained on page 7 of the definitive Proxy Statement dated November 10, 2004, and is incorporated by reference into this section.

The information required by this item relating to our executive officers is included under the caption “Director and Executive Officer Information” on pages 1 through 3 of the definitive Proxy Statement dated November 10, 2004, and is incorporated by reference into this section.

We have adopted a code of ethics that applies to our principal executive officer and all members of our finance department, including the principal financial officer and principal accounting officer. This code of ethics, which consists of the “Code of Ethical Conduct for Financial Managers”, is posted on our Website. The Internet address for our Website is www.factset.com, and the code of ethics may be found in the “Investor Relations” section under “Corporate Governance Highlights”.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to (other than technical, administrative or non-substantive amendments), or waiver from, a provision of this code of ethics by posting such information on our Website, at the address and general location specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item relating to our executive compensation is included under the captions “Information Regarding Named Executive Officer Compensation” and “Compensation Pursuant to Stock Options” contained on pages 10 and 11 of the definitive Proxy Statement dated November 10, 2004, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item relating to security ownership of certain beneficial owners and management is included under the caption “Information Regarding Beneficial Ownership of Principal Shareholders, Directors and Management” contained on pages 8 and 9 of the definitive Proxy Statement dated November 10, 2004, and is incorporated by reference into this section.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item relating to the security ownership of certain beneficial owners is included under caption “Information Regarding the Board of Directors and Related Committees” on pages 1 through 6 and under the caption “Employment Agreements” on page 13 of the definitive Proxy Statement dated November 10, 2004, and is incorporated herein by reference into this section.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is included under the captions “Audit and Non-Audit Fees” and “Proposal No. 3: Ratification of Independent Registered Public Accounting Firm on pages 7 and 17 in the definitive Proxy Statement dated November 10, 2004, and is incorporated by reference into this section.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Financial Statements

The Index to Consolidated Financial Statements under Item 8 on page 16 is incorporated herein by reference as the list of financial statements required as part of this report.

2. Financial Statement Schedules

FACTSET RESEARCH SYSTEMS INC.
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

August 31, 2004, 2003 and 2002

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions	Balance at End of Year
2004				
Allowance for doubtful receivables	\$ 1,775	\$ 431	\$ 1,101	\$ 1,105
2003				
Allowance for doubtful receivables	\$ 2,000	\$ 1,515	\$ 1,740	\$1,775
2002				
Allowance for doubtful receivables	\$ 2,160	\$ 1,373	\$ 1,533	\$2,000

Additional Financial Statement Schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

[Table of Contents](#)

3. Exhibits:*

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation ⁽¹⁾
3.12	Amendment to Restated Certificate of Incorporation ⁽²⁾
3.2	By-laws ⁽³⁾
4.1	Form of Common Stock ⁽¹⁾
10.1	Letter of Agreement between the Company and Ernest S. Wong ⁽¹⁾
10.2	Amendment to 364-Day Credit Agreement, dated March 28, 2003 ⁽³⁾
10.3	Amendment to the Three-Year Credit Agreement ⁽²⁾
10.4	The FactSet Research Systems Inc. 1994 Stock Option Plan and 1996 Stock Option Plan ⁽⁴⁾
10.5	The FactSet Research Systems Inc. Non-Employee Directors' Stock Option Plan ⁽⁵⁾
10.6	The FactSet Research Systems Inc. 2000 Stock Option Plan ⁽⁶⁾
10.7	The FactSet Research Systems Inc. 2001 Employee Stock Purchase Plan ⁽⁷⁾
10.8	Stock Purchase Agreement dated as of June 29, 2004 ⁽⁸⁾
21	Subsidiaries of the Company
23	Consent of PricewaterhouseCoopers LLP
31.1	Section 302 Certification of Principal Executive Officer
31.2	Section 302 Certification of Principal Financial Officer
32.1	Section 906 Certification of Principal Executive Officer
32.2	Section 906 Certification of Principal Financial Officer

(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 annual report on Form 10-K for the fiscal year 2001.

(3) Incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of fiscal year 2004.

(4) Incorporated by reference to the Company's Registration Statement on Form S-8 (File No. 333-22319).

(5) Incorporated by reference to the Company's Registration Statement on Form S-8 (File No. 333-59839).

(6) Incorporated by reference to the Company's Registration Statement on Form S-8 (File No. 333-56870).

(7) Incorporated by reference to the Company's Registration Statement on Form S-8 (File No. 333-57880).

(8) Portions of this Exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment.

* Note that Exhibits are available in the Company's publicly filed Form 10-K report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Norwalk, State of Connecticut, on November 10, 2004.

FACTSET RESEARCH SYSTEMS INC.

/s/ ERNEST S. WONG

Ernest S. Wong,
Senior Vice President, Chief Financial Officer,
Treasurer and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on November 10, 2004.

<u>Name</u>	<u>Title</u>
/s/ PHILIP A. HADLEY	Chairman of the Board of Directors, Chief Executive Officer and Director
Philip A. Hadley	
/s/ CHARLES J. SNYDER	Vice Chairman of the Board of Directors and Director
Charles J. Snyder	
/s/ MICHAEL F. DICHRISTINA	President, Chief Operating Officer and Director
Michael F. DiChristina	
/s/ TOWNSEND THOMAS	Senior Vice President and Chief Technology Officer
Townsend Thomas	
/s/ MICHAEL D. FRANKENFIELD	Senior Vice President and Director of Sales and Marketing
Michael D. Frankenfield	
/s/ ERNEST S. WONG	Senior Vice President, Chief Financial Officer, Treasurer and Secretary
Ernest S. Wong	
/s/ SCOTT A. BILLEADEAU	Director, Lead Independent Director
Scott A. Billeadeau	
/s/ JOSEPH E. LAIRD, JR.	Director
Joseph E. Laird, Jr.	
/s/ JAMES J. MCGONIGLE	Director
James J. McGonigle	
/s/ JOHN C. MICKLE	Director
John C. Mickle	
/s/ WALTER F. SIEBECKER	Director
Walter F. Siebecker	
/s/ HOWARD E. WILLE	Director
Howard E. Wille	

STOCK PURCHASE AGREEMENT

Portions of this Exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment. Such portions have been marked as follows: [Redacted]

FACTSET RESEARCH SYSTEMS INC.,
FACTSET EUROPE S.À.R.L.
SELLER'S STOCKHOLDER REPRESENTATIVE NAMED WITHIN

and

DECISION DATA LUXEMBOURG S.A.

STOCK PURCHASE AGREEMENT

ALLEN & OVERY
ALLEN & OVERY LLP
NEW YORK

CONTENTS

<u>Section</u>	<u>Page</u>
1. Purchase and Sale of Shares; Closing	1
1.1 Purchase and Sale of the Shares	1
1.2 Closing Date	3
1.3 Transactions to be Effected at the Closing	3
1.4 Purchase Price Adjustment	5
1.5 Seller's Stockholder Representative	6
2. Representations and Warranties Regarding Seller, Seller's Stockholder Representative and the Shares	7
2.1 Authority; Execution and Delivery; Enforceability	7
2.2 No Conflicts; Consents	7
2.3 Brokers	8
2.4 The Shares	8
2.5 Restricted Securities	9
2.6 Purchase Entirely for Own Account	9
2.7 Disclosure of Information	9
2.8 Investment Experience	10
2.9 General Solicitation	10
2.10 Reliance	10
2.11 Further Limitations on Disposition	10
2.12 Legends	10
3. Representations and Warranties Regarding the Company and the Subsidiaries	11
3.1 Organization and Standing; Books and Records	11
3.2 Capital Stock of the Company and the Subsidiaries	12
3.3 Consents	13
3.4 Financial Statements	13
3.5 Assets Other than Real Property Interests	14
3.6 Real Property	14
3.7 Intellectual Property	15
3.8 Contracts	17
3.9 Receivables	19
3.10 Permits	19
3.11 Insurance	19
3.12 Taxes	20
3.13 Proceedings	22
3.14 Benefit Plans	23
3.15 Absence of Changes or Events	24
3.16 Compliance with Applicable Laws	25
3.17 Employee and Labor Matters	26
3.18 Transactions with Affiliates	28
3.19 Disclosure	28
3.20 Customers	28
3.21 Private Offering	28
3.22 Corrupt Practices	29
3.23 Accounting Practices	29

Table of Contents

4.	Representations and Warranties of Purchaser and Parent	30
4.1	Organization; Standing and Power	30
4.2	Authority, Execution and Delivery, Enforceability	30
4.3	No Conflicts, Consents	30
4.4	Litigation	31
4.5	Securities Act	31
4.6	Brokers	31
4.7	Availability of Funds	31
4.8	Investigation by Parent; Seller's Liability	31
4.9	Disclosure of Information	32
5.	Covenants	32
5.1	Covenants Relating to Conduct of Business	32
5.2	No Solicitation	34
5.3	Access to Information	35
5.4	Confidentiality	35
5.5	Commercially Reasonable Efforts	35
5.6	Expenses, Transfer Taxes	36
5.7	Tax Matters	36
5.8	Supplemental Disclosure	38
5.9	Post-Closing Cooperation	39
5.10	Publicity	39
5.11	Records	40
5.12	Agreement Not To Compete	40
5.13	Certain Licenses and Permits	41
5.14	Further Assurances	41
5.15	Insurance	41
6.	Conditions Precedent	42
6.1	Conditions to Each Party's Obligation	42
6.2	Conditions to Obligation of the Purchaser	43
6.3	Conditions to Obligation of Seller	46
6.4	Frustration of Closing Conditions	46
7.	Termination, Amendment and Waiver	46
7.1	Termination	46
7.2	Effect of Termination	47
7.3	Amendments and Waivers	48
8.	Indemnification	48
8.1	Tax Indemnification	48
8.2	Other Indemnification by Seller and Seller's Stockholder Representative	48
8.3	Purchaser Indemnification	49
8.4	Calculation of Losses; Satisfaction from Escrowed Funds	49
8.5	Termination of Indemnification	50
8.6	Procedures	50
8.7	Survival of Representations	53
8.8	No Recourse against the Company or any Subsidiary	53
9.	General Provisions	54
9.1	Assignment	54
9.2	No Third-Party Beneficiaries	54
9.3	Expenses	54
9.4	Notices	54
9.5	Interpretation; Exhibits and Schedules; Certain Definitions	55

Table of Contents

9.6	Counterparts	57
9.7	Entire Agreement	57
9.8	Severability	57
9.9	Consent to Jurisdiction	57
9.10	Governing Law	57
9.11	Waiver of Jury Trial	58
9.12	Guaranty	58

Exhibit

1.	Escrow Agreement	60
2.	Employment Agreement	70
3.	Deed of Transfer	91
4.	Balance Sheet Principles	93
5.	MKY Intellectual Property Deed of Assignment	94

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (together with the Schedules and Exhibits hereto, this **Agreement**) dated as of June 29, 2004 (**Execution Date**)

AMONG:

- (1) **FACTSET RESEARCH SYSTEMS INC.**, a Delaware corporation (**Parent**);
- (2) **FACTSET EUROPE S.À.R.L.**, a private limited liability company organized under the laws of Luxembourg and an indirect wholly-owned subsidiary of Parent (**Purchaser**);
- (3) **JACQUES CHAHINE** (**Seller's Stockholder Representative**); and
- (4) **DECISION DATA LUXEMBOURG S.A.**, a limited liability company organized under the laws of Luxembourg (**Seller**).

WHEREAS:

- (A) Seller owns all of the issued and outstanding shares of capital stock of Decision Data System B.V., a limited liability company organized under the laws of the Netherlands (the **Company**), consisting of 9,000 common shares, par value ten euro (€10) per share, and 1,000 preference shares, par value ten euro (€10) per share (collectively, the **Shares**);
- (B) Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, all of the Shares, on the terms and subject to the conditions set forth herein; and
- (C) Purchaser and Parent would not enter into this Agreement but for the willingness of Jacques Chahine, Eric Morlot, Jean-Michel Voltaire and Jason Panzer (the **Key Employees**) to enter into employment and non-compete agreements with Parent, which agreements shall become effective as of the Closing (as defined in Section 1.2).

NOW, THEREFORE, in consideration of and subject to the premises and the mutual agreements, terms and conditions herein contained, the benefits to be derived therefrom and other good and valuable consideration, the receipt and the sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. PURCHASE AND SALE OF SHARES; CLOSING

1.1 Purchase and Sale of the Shares

- (a) On the terms and subject to the conditions of this Agreement, at the Closing, Seller shall sell, assign, transfer and deliver or cause to be sold, assigned, transferred and delivered to Purchaser, and Purchaser shall purchase from Seller, legal and beneficial ownership of the Shares, free and clear of all liens, claims, charges, security interests, pledges, reversions, preferential arrangements, conditions, restrictions (including any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership), equities and encumbrances of any kind (**Encumbrances**). The purchase and sale of the Shares is referred to in this Agreement as the **Acquisition**. For the avoidance of doubt, the Acquisition shall not include the asset management businesses (the **Asset Management Business**) of the Subsidiaries (as defined in Section 3.2(b)).

Table of Contents

- (b) The aggregate purchase price (the **Purchase Price**) for the Shares shall consist of the following:
- (i) €38,000,000 in cash, subject to adjustment as provided in Section 1.4 (the **Cash Consideration**); and
 - (ii) 257,067 fully paid, validly issued and non-assessable shares of common stock, par value \$0.01 per share, of Parent (**Parent Common Stock**).
- (c) In addition to the Purchase Price set forth in Section 1.1(b), Purchaser shall pay to Seller, as additional consideration for the Shares, the applicable amount specified in Clause (i) or (ii) below (the **Applicable Earn-Out Amount**) if earned in accordance with the provisions specified below. Purchaser shall pay to Seller the Applicable Earn-Out Amount if, and only if, one of the two minimum client subscription targets separately agreed between the parties is satisfied during the period beginning on the date on which Seller's and the Subsidiaries' database acquired pursuant to this Agreement is first made available by Parent or its affiliates to its clients (on which date, Parent shall give notice of such availability in writing to Seller's Stockholder Representative), and ending on the second anniversary of such date (the **Earn-Out Period**) and continues to be satisfied on the last date of such period:
- (i) The Applicable Earn-Out Amount shall be €2,000,000 if, during the Earn-Out Period, the lower minimum subscription target separately agreed between the parties is achieved; or
 - (ii) The Applicable Earn-Out Amount shall be €5,000,000 if, during the Earn-Out Period, the higher minimum subscription target separately agreed between the parties is achieved.

The Applicable Earn-Out Amount, if any, will be payable in cash to Seller on the last day of the Earn-Out Period.

Notwithstanding the foregoing, no Applicable Earn-Out Amount will be or become payable (i) if on the last day of the Earn-Out Period, Seller or Seller's Stockholder Representative or any of their respective affiliates is in violation of Section 5.12 of this Agreement, or (ii) if on the last day of the Earn-Out Period, Seller has not paid to any Purchaser Indemnitee the full amount of any Loss for which any such Purchaser Indemnitee is entitled to receive indemnification from Seller and Seller's Stockholder Representative pursuant to Section 8 of the Stock Purchase Agreement or Section 3(b) of the Escrow Agreement and, if Purchaser Indemnitee's rights to receive such claimed indemnification is being disputed by Seller, Parent shall be entitled to hold the portion of such Applicable Earn-Out Amount equal to the amount claimed for any Loss in escrow pending resolution of such dispute.

For the avoidance of doubt, under no circumstances will Seller be entitled to more than one Applicable Earn-Out Amount payment (*i.e.* Seller may be entitled to receive payment described in Clause (i) or Clause (ii) above, but not both).

The parties hereto acknowledge that this provision has been negotiated by the parties based on their inability to agree as to the valuation of the Company and the Subsidiaries as of the Closing Date, and the Applicable Earn-Out Amount is intended by the parties to be treated as part of the consideration for the Shares. The parties hereby agree not to take any position, including, without limitation, for federal, state, foreign or local tax purposes, that is inconsistent with the intent expressed in this letter.

[Table of Contents](#)

Nothing in this Section 1.1(c) shall obligate Parent, the Company or any of the Subsidiaries to make (or not to make) any decision regarding the management of their businesses (including with respect to the pricing, features, terms, conditions and availability of products and services offered to customers), all of which shall remain within the sole discretion of management of Parent.

1.2 Closing Date

Upon the terms and subject to the conditions of this Agreement, the closing of the Acquisition (the **Closing**) shall take place at the offices of Allen & Overy LLP, 1221 Avenue of the Americas, New York, New York 10020 (or at such other place outside the United Kingdom as the parties may mutually agree), at 10:00 a.m., local time, on or about July 30, 2004 (but in no event later than September 7, 2004) or, if earlier, on the second Business Day following the satisfaction (or, to the extent permitted, the waiver) of all conditions precedent to the obligations of the parties set forth in Section 6 (other than those conditions that by their nature are to be satisfied at the Closing), or at such other time and date as shall be agreed between Seller and Parent. The date on which the Closing occurs is referred to in this Agreement as the **Closing Date**. **Business Day** means a day that is not a Saturday, Sunday or other day on which banks are required by Applicable Law (as defined in Section 2.2) to be closed in the City of New York.

Parent shall have the right to delay the Closing Date from the date on which the Closing would otherwise occur in accordance with the provisions of this Section (the **Initial Closing Date**) until a specified date that shall be after September 1, 2004 (but in no event later than September 7, 2004) (the **Rescheduled Closing Date**) by delivering a notice to that effect to Seller on the Initial Closing Date (assuming that the conditions to closing set forth in Section 6.1, 6.2 and 6.3 would have been satisfied on such Initial Closing Date). In the event that such notice is delivered, the conditions to closing set forth in Sections 6.1, 6.2 and 6.3 must be satisfied on the Rescheduled Closing Date set forth in the notice in order for the parties to be obligated to consummate the transaction on such Rescheduled Closing Date; provided, however, that with respect to the Rescheduled Closing Date the references in Section 6.2(a) to "Closing Date" shall be deemed to be references to the "Initial Closing Date" (unless any failure of any such representation and warranty to be true and correct (or true and correct in all material respects, as applicable) on the Rescheduled Closing Date is due to an affirmative action taken by Seller, the Company or any Subsidiary after the Initial Closing Date).

1.3 Transactions to be Effected at the Closing

(a) At the Closing:

- (i) Seller shall deliver or cause to be delivered to Parent:
 - (A) the resignations, effective as of the Closing, of all of the directors of the Company and the Subsidiaries as shall have been designated in writing prior to the Closing by Parent to Seller;
 - (B) the Escrow Agreement, dated as of the Closing Date, executed by Seller, Seller's Stockholder Representative and JPMorgan Chase Bank (the **Escrow Agent**) and substantially in the form of Exhibit 1;

Table of Contents

- (C) an Employment and Noncompetition Agreement, dated as of the Closing Date, executed by each Key Employee and substantially in the form of Exhibit 2 (each an **Employment Agreement**);
 - (D) such documents as Parent may reasonably request to demonstrate satisfaction of the conditions and compliance with the covenants set forth in this Agreement;
 - (E) the officer's certificate referred to in Section 6.2(a); and
 - (F) a receipt for the Cash Consideration.
- (ii) Purchaser shall deliver to Seller:
- (A) payment, by wire transfer to the bank account designated by Seller in writing to Purchaser two business days prior to Closing with sufficient detail and information to satisfy any applicable regulatory requirements, in immediately available funds in euro in an amount equal to (A) the difference between (I) the Cash Consideration and (II) €4,200,000 (the **Escrowed Funds**) plus or minus (if applicable) (B) a good faith estimate, prepared by Seller (and satisfactory to Parent) and delivered to Parent at least five Business Days prior to the Closing Date, of any adjustment to the Cash Consideration under Section 1.4 (the Cash Consideration (without giving effect to the deduction for the Escrowed Funds) plus or minus such estimate of any adjustment under Section 1.4 being hereinafter called the **Closing Date Amount**).
- (iii) Purchaser shall deliver to Seller:
- (A) a certificate for 257,067 shares of Parent Common Stock;
 - (B) the officer's certificate referred to in Section 6.3(a); and
 - (C) the Escrow Agreement executed by Purchaser and Parent; and
 - (D) such other documents as Seller may reasonably request to demonstrate satisfaction of the conditions and compliance with the covenants set forth in this Agreement.
- (iv) Parent shall deliver to Escrow Agent:
- (A) the Escrow Agreement executed by Purchaser and Parent; and
 - (B) payment by wire transfer to the Escrow Account (as defined in the Escrow Agreement) of the Escrowed Funds.
- (b) Purchaser and Seller shall execute a notarial deed in the form of Exhibit 3 (the **Deed of Transfer**) before a civil law notary (*notaris*), of Allen & Overy LLP Amsterdam, and Seller shall procure that the Company will acknowledge the transfer of the Shares by signing the Deed of Transfer.
- (c) The amounts paid by Purchaser in respect of the Shares pursuant to this Section 1.3 shall be deemed to have been delivered in full satisfaction of all rights pertaining thereto, and following the Closing neither the Seller nor any person other than Purchaser shall have any further right to, any ownership interest in, or any entitlement to acquire Shares.

1.4 Purchase Price Adjustment

[Redacted]

- (b) During the 30-day period following Seller's receipt of the Statement, Seller and its accountants shall be permitted to review the working papers of Parent relating to the Statement. The Statement shall become final and binding upon the parties on the 30th day following delivery thereof, unless Seller gives written notice of its disagreement with the Statement (a **Notice of Disagreement**) to Parent prior to such date. Any Notice of Disagreement shall
- (i) specify in reasonable detail the nature of any disagreement so asserted;
 - (ii) only include disagreements based on mathematical errors or based on Closing Working Capital not being calculated in accordance with this Section 1.4; and
 - (iii) be accompanied by a certificate of Seller's accountants stating that they concur with each of the positions taken by Seller in the Notice of Disagreement.

If a Notice of Disagreement is received by Parent in a timely manner, then the Statement (as revised in accordance with Clause I or II below) shall become final and binding upon Seller and Parent on the earlier of (I) the date Seller and Parent resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement or (II) the date any disputed matters are finally resolved in writing by the Accounting Firm (as defined below). During the 30-day period following the delivery of a Notice of Disagreement, Seller and Parent shall seek in good faith to resolve in writing any differences that they may have with respect to the matters specified in the Notice of Disagreement. During such period Parent and its accountants shall have access to the working papers of Seller's accountants prepared in connection with their certification of the Notice of Disagreement. At the end of such 30-day period, Seller and Parent shall submit to an independent accounting firm that has not had a previous relationship with Seller or Parent (the **Accounting Firm**) for arbitration any and all matters that remain in dispute and that were properly included in the Notice of Disagreement, in the form of a written brief. The Accounting Firm shall be a nationally recognized independent public accounting firm as shall be agreed upon by the parties hereto in writing. Seller and Parent agree that judgment may be entered upon the determination of the Accounting Firm in any court having jurisdiction over the party against which such determination is to be enforced. The parties shall instruct the Accounting Firm to render its decision as promptly as practicable but in no event later than 60 days after its selection. The cost of any arbitration (including the fees and expenses of the Accounting Firm and reasonable attorney fees and expenses of the parties) pursuant to this Section 1.4 shall be borne by Parent and Seller in inverse proportion as they may prevail on matters resolved by the Accounting Firm, which proportionate allocations shall also be determined by the Accounting Firm at the time the determination of the Accounting Firm is rendered on the merits of the matters submitted. The fees and disbursements of Seller's

Table of Contents

accountants incurred in connection with their review of the Statement and certification of any Notice of Disagreement shall be borne by Seller, and the fees and disbursements of the accountants of Parent incurred in connection with their certification of the Statement and review of any Notice of Disagreement shall be borne by Parent.

[Redacted]

- (d) The term **Working Capital** means Current Assets (as defined below) minus Current Liabilities (as defined below). The terms **Current Assets** and **Current Liabilities** mean the consolidated current assets and consolidated current liabilities, respectively, of the Company and its Subsidiaries, calculated in accordance with generally accepted accounting principles and practices applied consistently throughout the periods involved (**IAS**), adjusted in accordance with Exhibit 4 (as so adjusted, the **Balance Sheet Principles**).
- (e) Following the Closing, Parent shall not take any action with respect to the accounting books and records of the Company and its Subsidiaries on which the Statement is to be based that would obstruct or prevent the preparation of the Statement and the determination of Closing Working Capital as provided in this Section 1.4. During the period of time from and after the date of delivery of the Statement to Seller through the resolution of any adjustment to the Purchase Price contemplated by this Section 1.4, Parent and the Company shall afford to Seller and any accountants, counsel or financial advisors retained by Seller in connection with any adjustment to the Purchase Price contemplated by this Section 1.4 reasonable access during normal business hours to the books and records of the Company and the Subsidiaries (if within the control of the Company) to the extent relevant to the adjustment contemplated by this Section 1.4.

1.5 Seller's Stockholder Representative

Seller and Seller's Stockholder Representative hereby represent and warrant to Purchaser and Parent that (i) Seller's Stockholder Representative has been irrevocably appointed by the direct and indirect beneficial holders of all of the Shares as their representative with respect to this Agreement and the transactions contemplated hereby; and (ii) Seller's Stockholder Representative has been irrevocably constituted and appointed as the attorney-in-fact of each direct or indirect beneficial owner of Shares with full power of substitution and, as such, has been authorized to act

for and on behalf of them in all matters arising under this Agreement or any other document contemplated hereby. Seller's Stockholder Representative shall cause Seller to comply with Seller's obligations under this Agreement. Seller and Seller's Stockholder Representative understand and agree that any and all claims arising in connection with this Agreement may be made directly against Seller's Shareholder Representative, and Purchaser and Parent shall have no obligation to make any claim against, or otherwise join, implead or pursue any remedy against, any holder of Shares. Seller's Stockholder Representative shall have full recourse liability for all of its obligations under this Agreement, and hereby waives, to the greatest extent permitted by law, any facts or circumstances that may otherwise constitute a legal or equitable discharge of a surety or guarantor (including without limitation any bankruptcy, insolvency, liquidation or reorganization of Seller).

2. REPRESENTATIONS AND WARRANTIES REGARDING SELLER, SELLER'S STOCKHOLDER REPRESENTATIVE AND THE SHARES

Except as set forth in the Schedules attached to this Agreement with specific reference to the representation and warranty to which such exception relates (it being agreed that any matter set forth as an exception to any representation and warranty shall also be deemed to be set forth for purposes of any other representation and warranty to the extent the relevance of such matter to such other representation and warranty would be reasonably apparent without resort to the underlying documents listed therein), Seller and Seller's Stockholder Representative hereby jointly and severally represent and warrant to Purchaser and Parent, as of the date of this Agreement and as of the Closing Date, as follows:

2.1 Authority; Execution and Delivery; Enforceability

Each of Seller and Seller's Stockholder Representative has the requisite authority and capacity to execute, deliver and perform its or his obligations under the terms of this Agreement and the other agreements and instruments executed and delivered in connection with this Agreement (the **Ancillary Agreements**) to which it or he is, or is specified to be, a party and to consummate the Acquisition and the other transactions contemplated to be consummated by it or him hereby and thereby. Each of Seller and Seller's Stockholder Representative has duly executed and delivered this Agreement and at or before the Closing shall have duly executed and delivered each Ancillary Agreement to which it or he is, or is specified to be, a party, and this Agreement constitutes, and each Ancillary Agreement to which it or he is, or is specified to be, a party will, when executed, constitute, it or his legal, valid and binding obligation, enforceable against it or him in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) that the availability of the remedy of specific performance or injunctive or other forms of equitable relief may be subject to equitable defenses and would be subject to the discretion of the court before which any proceeding therefor may be brought.

2.2 No Conflicts; Consents

The execution and delivery by each of Seller and Seller's Stockholder Representative of this Agreement do not, the execution and delivery by each of Seller and Seller's Stockholder Representative of each Ancillary Agreement to which Seller and/or Seller's Stockholder Representative is, or is specified to be, a party will not, and the consummation of the Acquisition and the other transactions contemplated hereby and thereby and compliance by it or him with the

[Table of Contents](#)

terms hereof and thereof will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation, repurchase, redemption or acceleration of any obligation or to loss of a material benefit under, or to increased, additional, accelerated or guaranteed rights or entitlements of any person under, or result in the creation of any Lien (as defined in Section 3.5) upon any of the properties or assets of the Company or any Subsidiary (as defined in Section 3.2) under, any provision of (i) the deed of incorporation or articles of association or comparable constituent documents of Seller, the Company or any Subsidiary, (ii) any oral or written contract, instrument, document, obligation, lease, note, bond, mortgage, indenture, deed of trust, license, indenture, agreement, commitment, loan agreement, letter of credit, reimbursement agreement, security agreement, permit, franchise, power of attorney, guarantee, purchase order, arrangement, understanding or other legally binding arrangement, whether written or oral, in each case as amended, supplemented, waived or otherwise modified (a **Contract**) to which the Seller, Seller's Stockholder Representative, the Company or any Subsidiary is a party or by which any of its or his properties or assets is bound or (iii) any judgment, order, decree, decision, writ or injunction (**Judgment**) or Dutch, French, Irish, Italian, Luxembourg, Singaporean, UK, EU or United States federal, national, supranational, state, provincial, local or similar statute, law (including common law), treaty, constitutional provision, ordinance, code, directive, regulation, notice, binding agreement, policy or rule of law, legal requirement, other government restriction or regulation promulgated or entered into by any Government Entity (as defined below) (**Applicable Law**) other than, in the case of subclauses (ii) and (iii) above, any such items that, individually or in the aggregate, have not had and could not reasonably be expected to have a Material Adverse Effect. No consent, approval, license, permit, order or authorization (**Consent**) of, or registration, declaration or filing with, any Dutch, French, Irish, Italian, Luxembourg, Singaporean, UK, EU or United States federal, national, supranational, state, provincial, local or similar government or any court of competent jurisdiction, tribunal, judicial or arbitral body, administrative agency or commission or other government authority or instrumentality (a **Government Entity**) is required to be obtained or made by or with respect to Seller or Seller's Stockholder Representative in connection with the (A) execution, delivery and performance of this Agreement or any Ancillary Agreement or the consummation of the Acquisition or the other transactions contemplated hereby and thereby, or (B) the ownership by Purchaser of the Company and the Subsidiaries following the Closing other than (1) compliance with, and any filings required under the competition and/or merger control laws of the United Kingdom and (2) such other Consents, registrations, declarations or filings the failure of which to be made or obtained, individually or in the aggregate, have not had and could not be reasonably expected to have a Material Adverse Effect. The turnover figures provided to Parent by Seller have been calculated in accordance with the requirements of the relevant competition authorities.

2.3 Brokers

No broker, finder or investment banker is or will be entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement and the Escrow Agreement based upon arrangements made by or on behalf of Seller, Seller's Stockholder Representative, the Company or any Subsidiary.

2.4 The Shares

Seller, directly or through one or more wholly owned subsidiaries, has good and valid title to the Shares, free and clear of all Encumbrances. Upon execution of the Deed of Transfer by Purchaser, Seller and the Company, good and valid title to the Shares will pass to Purchaser, free

[Table of Contents](#)

and clear of any Encumbrances, other than those arising from acts of Purchaser or Parent. For the avoidance of doubt, other than this Agreement, the Shares are not subject to any voting trust agreement or other Contract, including any Contract restricting or otherwise relating to the voting, dividend rights or disposition of the Shares. No stock transfer taxes are due as a result of the purchase and sale of the Shares. The Shares are fully paid, validly issued and nonassessable. Seller has taken all corporate action necessary to authorize the transfer of the Shares to Purchaser and no further approval is required from any direct or indirect shareholder of Seller.

2.5 Restricted Securities

Seller understands that:

- (i) the shares of Parent Common Stock being delivered pursuant to this Agreement (A) are “restricted securities” under the federal securities laws of the United States inasmuch as they have not been registered under the Securities Act of 1933, as amended (**Securities Act**), and are being acquired from Parent in a transaction exempt from registration under the Securities Act pursuant to Section 4(2) thereof and/or Regulation S promulgated thereunder; (B) must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from registration; and (C) will bear a legend to such effect; and
- (ii) Parent will make a notation on its transfer books to such effect.

2.6 Purchase Entirely for Own Account

Seller is acquiring the Parent Common Stock pursuant to this Agreement for investment only for Seller’s own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof and shall not offer to sell or otherwise dispose of any of the shares of Parent Common Stock so acquired by it in violation of the registration requirements of the Securities Act or the securities laws of any other jurisdiction applicable to the Acquisition or Seller. By executing this Agreement, Seller further represents that Seller does not have any Contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the shares of Parent Common Stock.

2.7 Disclosure of Information

- (a) Seller and Seller’s Stockholder Representative have conducted their own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition and prospects of Parent, which investigation, review and analysis was done by Seller and Seller’s Stockholder Representative and, to the extent Seller’s Stockholder Representative deemed appropriate, by Seller Affiliates (as defined below). Each of Seller and Seller’s Stockholder Representative acknowledges that it and the Seller Affiliates have been provided adequate access to the personnel, properties, premises and records of Parent for such purpose.
- (b) Each of Seller and Seller’s Stockholder Representative acknowledges that, except as set forth in this Agreement, none of Purchaser, Parent nor any of their respective affiliates, employees, agents, advisors or representatives (collectively, **Purchaser Affiliates**) makes or has made any representation or warranty, either express or implied, as to the accuracy or completeness of any of the information provided or made available to Seller, Seller’s Stockholder Representative or any

[Table of Contents](#)

of their respective affiliates, employees, agents or representatives (collectively, **Seller Affiliates**). Each of Seller and Seller's Stockholder Representative further agrees that, to the fullest extent permitted by law, no Purchaser Affiliate shall have any liability or responsibility whatsoever to any Seller Affiliate on any basis (including in contract or tort, under federal or state securities laws or otherwise) based upon any information provided or made available, or statements made, to any Seller Affiliate (or any omissions therefrom), other than (in the case of Purchaser and Parent) in respect of the specific representations and warranties set forth in Section 4 of this Agreement.

2.8 Investment Experience

Seller and Seller's Stockholder Representative have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in Parent Common Stock. Seller is able to bear the economic risk of its investment in the Parent Common Stock for an indefinite period of time and can afford a complete loss of its investment in the Parent Common Stock.

2.9 General Solicitation

Seller was not offered or sold the Parent Common Stock, directly or indirectly, by means of any form of general solicitation or general advertisement.

2.10 Reliance

Seller understands and acknowledges that: (i) the Parent Common Stock is being offered and sold to it without registration under the Securities Act in a transaction that is exempt from the registration provisions of the Securities Act and (ii) the availability of such exemption depends in part on, and Parent will rely upon the accuracy and truthfulness of, the foregoing representations and Seller hereby acknowledges and consents to such reliance.

2.11 Further Limitations on Disposition

Seller further agrees not to make any disposition of all or any portion of the Parent Common Stock received hereunder until the second anniversary of the Closing Date and, after such second anniversary, only if: (a) there is in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or (b) Seller shall have furnished to Parent an opinion of counsel of Seller, reasonably satisfactory to Parent, that such disposition will not require registration of such shares under the Securities Act. Prior to such second anniversary, Parent shall not unreasonably withhold its consent to a transfer by Seller if the opinion referred to in clause (b) of the preceding sentence is provided and the transferee makes the representations, and agrees to the restrictions, set forth in this Section 2.

2.12 Legends

It is understood that the certificates evidencing the Parent Common Stock may bear one or all of the following legends:

- (a) "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, or applicable state securities laws. The securities

Table of Contents

may not be sold or offered for sale or otherwise distributed except (i) in conjunction with an effective registration statement in effect for the securities under the Act or pursuant to an opinion of counsel reasonably satisfactory to the Company that such registration or compliance is not required as to such sale, offer or distribution; or (ii) if sold pursuant to Rule 144 of such Act or in an offshore transaction (as defined in Regulation S under such Act) in accordance with Regulation S. If the holder of these securities is a non-U.S. person within the meaning of Regulation S under such Act, such holder agrees not to, directly or indirectly, engage in any hedging transaction with regard to this security or any common stock issuable upon conversion of this security except as permitted by such Act.”

- (b) Any legend required by the laws of the State of New York, or other jurisdiction.
- (c) A legend setting forth the restriction on transferability provided for in Section 2.11 hereof.
- (d) “These securities may not be sold, hypothecated, pledged or otherwise disposed of in the United States, its territories, possessions or any area subject to its jurisdiction, or to any person who is a national thereof or resident therein (including any estate of such person), or any corporation, partnership or other entity created or organized therein, unless such securities have been either registered under the Securities Act of 1933, as amended, or are exempt from the registration requirements of the Act, in the opinion of counsel reasonably satisfactory to the Company.”

The certificates representing the Parent Common Stock, and each certificate issued in transfer thereof, will also bear any other legend required under any Applicable Law. It is understood and agreed that certificates with the legends set forth above will be replaced with certificates without such legend, if two years have elapsed from the date Seller acquired such shares and Seller has delivered to Parent an opinion of U.S. counsel, which opinion of counsel shall be reasonably satisfactory to Parent, to the effect that the restrictions imposed by Rule 144 no longer apply to Seller.

3. REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY AND THE SUBSIDIARIES

Except as set forth in the Schedules attached to this Agreement with specific reference to the representation and warranty to which such exception relates (it being agreed that any matter set forth as an exception to any representation and warranty shall also be deemed to be set forth for purposes of any other representation and warranty to the extent the relevance of such matter to such other representation and warranty would be reasonably apparent without resort to the underlying documents listed therein), Seller and Seller’s Stockholder Representative hereby jointly and severally represent and warrant to Purchaser and Parent, as of the date hereof and as of the Closing Date, as follows:

3.1 Organization and Standing; Books and Records

- (a) Each of the Company and the Subsidiaries (as defined in Section 3.2(b)) (i) is a joint stock company or corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, which jurisdiction is set forth on Schedule 3.1(a); (ii) has full corporate power and authority and possesses all material government franchises, certificates,

Table of Contents

consents, licenses, permits, authorizations, approvals and exceptions necessary to enable it to own, operate, lease or otherwise hold the properties and assets now owned, operated, leased or otherwise held by it and to carry on its businesses as they have been and are currently conducted; and (iii) is duly qualified and in good standing to do business as a foreign corporation in each jurisdiction in which the conduct or nature of its business or the ownership, operation, leasing or holding of its properties makes such licensing or qualification necessary, except where the failure to be so qualified has not had and could not be reasonably expected to have a Material Adverse Effect. A list of the jurisdictions in which the Company and the Subsidiaries are so qualified is set forth on Schedule 3.1(a).

- (b) Seller has delivered to Parent true and complete copies of the deed or articles of incorporation and articles of association, or comparable governing instruments, each as amended to date, of the Company and each of the Subsidiaries. Neither the Company nor any Subsidiary is subject to or bound by any charter or corporate provision that limits (x) the ability of the holder of the shares of the Company or such Subsidiary to control the Company or such Subsidiary or (y) the ability or legal right of the Company or such Subsidiary to conduct its business as currently conducted. The stock certificate and transfer books of the Company and each Subsidiary (which have been made available for inspection by Parent prior to the date hereof) are true, complete and correct. Schedule 3.1(b) sets forth a true and complete list of the names, addresses and titles of the directors and officers of the Company and each Subsidiary.
- (c) JCF Development Limited was incorporated in the Republic of Ireland on December 3, 2003 and since that date has not traded or entered into any contracts or agreements of any kind and has no liabilities to any person whatsoever.

3.2 Capital Stock of the Company and the Subsidiaries

- (a) Seller is the legal and beneficial owner of the Shares. Except for the Shares, there are no shares of capital stock or other equity securities of the Company issued, reserved for issuance, held as treasury stock or outstanding. Schedule 3.2(a) sets forth for each Subsidiary the amount of its authorized capital stock, the amount of its outstanding capital stock and the record and beneficial owners of its outstanding capital stock. Except as set forth on Schedule 3.2(a), there are no shares of capital stock or other equity securities of any Subsidiary issued, reserved for issuance, held as treasury stock or outstanding. Neither the Shares nor any shares of capital stock of any Subsidiary have been issued in violation of, and none of the Shares or such shares of capital stock are subject to, any purchase option, warrant, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of the deed of incorporation or articles of association of the Company or any Subsidiary or any Contract to which the Company or any Subsidiary or Seller is a party or otherwise bound. Except as set forth in Schedule 3.2(a), the Company has good and valid title to all the outstanding shares of capital stock of each Subsidiary, free and clear of all Encumbrances. All the outstanding shares of capital stock of each Subsidiary have been duly authorized and validly issued and are fully paid and nonassessable. There are not any bonds, debentures, notes or other indebtedness of the Company or any Subsidiary having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which equity holders may vote (**Voting Company Debt**). Except as set forth in Schedule 3.2(a), there are not any options, warrants, rights, convertible or exchangeable securities, "phantom" stock rights, stock appreciation rights, stock-based performance units, commitments, Contracts, arrangements or undertakings of any kind to which Seller, the Company or any Subsidiary is a party or by which any of them is bound (i) obligating Seller, the Company or any Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional

Table of Contents

shares of capital stock or other equity interests in, or any security convertible or exercisable for or exchangeable into any capital stock of or other equity interest in the Company or any Subsidiary or any Voting Company Debt, (ii) obligating Seller, the Company or any Subsidiary to issue, grant, extend or enter into any such option, warrant, call, right, security, commitment, Contract, arrangement or undertaking or (iii) that give any person the right to receive any economic benefit or right similar to or derived from the economic benefits and rights accruing to equity holders. As of the date of this Agreement, there are not any outstanding contractual obligations of the Company or any Subsidiary to repurchase, redeem or otherwise acquire any shares of capital stock of the Company or any Subsidiary.

- (b) Except for its interests in JCF Group SAS, JCF Italia S.r.l, JCF Information (Asia) Pte Limited, JCF Group, Inc., JCF Partners Limited, JCF International Limited and JCF Development Limited (each a **Subsidiary** and collectively, the **Subsidiaries**) and except for the ownership interests set forth on Schedule 3.2(a), the Company does not own, directly or indirectly, any capital stock, membership interest, partnership interest, joint venture interest or other equity interest in any person. No Subsidiary owns, directly or indirectly, any capital stock, membership interest, partnership interest, joint venture interest or other equity interest in any person.

3.3 Consents

No material Consent under any Applicable Law of any Government Entity or with any Government Entity is required to be obtained or made by or with respect to the Company or any Subsidiary in connection with (i) the execution, delivery and performance of this Agreement or any Ancillary Agreement or the consummation of the Acquisition or the other transactions contemplated hereby and thereby or (ii) the ownership by Purchaser of the Company following the Closing other than such Consents, registrations, declarations or filings the failure of which to be made or obtained, individually or in the aggregate, have not had and could not be reasonably expected to have a Material Adverse Effect. Neither the Company nor any Subsidiary has, pursuant to any antitrust legislation, given any undertaking, applied for negative clearance, exemption, guidance or approval or had an order, notice or direction made against it or received any request for information or statement of objections from or corresponded with any court or authority.

3.4 Financial Statements

- (a) Schedule 3.4 sets forth the consolidated balance sheet of the Company and the Subsidiaries as of December 31, 2002 and 2003, and the consolidated statements of income and cash flows of the Company and the Subsidiaries for the years ended December 31, 2002 and 2003 (the **Financial Statements**), together with an unqualified audit opinion from an internationally recognized public accounting firm with respect thereto. The Financial Statements are complete and correct in all material respects, have been prepared in conformity with IAS (except in each case as described in the notes thereto) and fairly present the consolidated financial condition, results of operations and cash flows of the Company and the Subsidiaries as of the respective dates thereof and for the respective periods indicated. As used herein, the Balance Sheet shall mean the audited consolidated balance sheet of the Company and the Subsidiaries as of December 31, 2003.
- (b) The Company and the Subsidiaries do not have any material liabilities or obligations of any nature (whether accrued, absolute or contingent), except (i) as disclosed, reflected or reserved against in the Balance Sheet and the notes thereto, (ii) for items set forth on Schedule 3.4, (iii) for liabilities and obligations incurred in the ordinary course of business consistent with past practice since the date of the Balance Sheet and not in violation of this Agreement and (iv) for Taxes (as defined in Section 3.12).

3.5 Assets Other than Real Property Interests

- (a) Each of the Company and the Subsidiaries has good and marketable title to, or valid and sufficient leaseholds in, all the assets (i) necessary or used for the conduct of, or otherwise material to, its business as currently conducted, and (ii) reflected on the Balance Sheet or thereafter acquired, other than those set forth on Schedule 3.5 or otherwise disposed of since the date of the Balance Sheet for fair value in the ordinary course of business consistent with past practice and not in violation of this Agreement, in each case free and clear of all mortgages, liens (including environmental and tax liens), security interests, pledges, charges, easements, leases, reversions, preferential arrangements, conditions, subleases, covenants, rights of way, options, claims, restrictions or encumbrances of any kind (each a **Lien** or collectively, **Liens**), except:
- (i) such Liens as are set forth on Schedule 3.5 (all of which shall be discharged prior to the Closing);
 - (ii) mechanics', materialmen's, carriers', workmen's, repairmen's or other like Liens arising from or incurred in the ordinary course of business, Liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business and Liens for Taxes that are not due and payable or that may thereafter be paid without penalty;
 - (iii) Liens that secure obligations that are reflected as liabilities on the Balance Sheet or Liens the existence of which are referred to in the notes to the Balance Sheet; and
 - (iv) other imperfections of title or encumbrances, if any, that, individually or in the aggregate, do not impair, and could not be expected to impair, the continued ownership, use and operation of the assets to which they relate in the conduct of the business of the Company and the Subsidiaries as presently conducted (the Liens described in subclauses (ii) and (iii) and (iv) above are referred to collectively as **Permitted Liens**).
- (b) The assets currently owned, leased or licensed by or to the Company and the Subsidiaries comprise all the assets necessary to permit the Company and the Subsidiaries to continue to conduct their businesses, immediately after the Closing, in all material respects in the same manner as such businesses have been conducted prior to the date hereof.
- (c) This Section 3.5 does not relate to real property or interests in real property, such items being the subject of Section 3.6, or to Intellectual Property (as defined in Section 3.7(b)), such items being the subject of Section 3.7.

3.6 Real Property

- (a) Neither the Company nor any Subsidiary owns any freehold property (or the equivalent of freehold property in any jurisdiction). Schedule 3.6(a) sets forth a complete list of all real property leased by the Company or any Subsidiary as a lessee (individually, **Leased Real Property**). Schedule 3.6(a) also sets forth a complete list of all Leased Real Property subleased by the Company or any Subsidiary or granting any rights to occupy to any person. All leases of Leased Real Property are in full force and effect. Neither the Company nor any Subsidiary has

[Table of Contents](#)

received or given any written notice of, and to Seller's Knowledge there does not exist, any event of default or event, occurrence or act that, with the giving of notice or the lapse of time or both, would give rise to an event of default under any leases of Leased Real Property. Neither the Company nor any Subsidiary has violated any material terms or conditions under any leases of Leased Real Property that could be reasonably expected to give rise to an event of default thereunder. Neither the Company nor any Subsidiary has violated in any material respect any statutory provision relating to any Leased Real Property or its use. The leases of Leased Real Property are free from any Lien (other than Permitted Liens).

- (b) Schedule 3.6(b) sets forth a list of all leases and subleases of the Leased Real Property under which the Company or any Subsidiary is a sublessee or sublessor, and Seller has previously made available to Purchaser true and complete copies thereof.
- (c) Neither the Company nor any Subsidiary has sold or otherwise disposed of any properties previously owned, leased or occupied by them nor given any guarantees in relation to any liabilities arising in relation to any properties owned, leased or occupied.

[Redacted]

[Redacted]

[Redacted]

3.8 Contracts

- (a) Except as set forth on Schedule 3.8, neither the Company nor any Subsidiary is a party to or bound by any:
- (i) covenant not to compete (other than pursuant to any radius restriction contained in any lease, reciprocal easement or development, construction, operating or similar agreement) or other covenant restricting the development, manufacture, marketing or distribution of the products and services of the Company or any Subsidiary;
 - (ii) Contract (other than this Agreement) with (A) Seller or any affiliate of Seller (other than the Company or any Subsidiary) or (B) any current or former officer, director or employee (in the case of any employee other than a Contract relating to such employee's employment) of the Company or any Subsidiary, Seller or any affiliate of Seller;
 - (iii) lease, sublease or similar Contract with any person (other than the Company or any Subsidiary) under which (A) the Company or any Subsidiary is lessee of, or holds or uses, any machinery, equipment, vehicle or other tangible personal property owned by any person that is not the Company or any Subsidiary or (B) the Company or any Subsidiary is a lessor or sub-lessor of, or makes available for use by any person that is not the Company or any Subsidiary, any tangible personal property owned or leased by the Company or any Subsidiary, in any such case that has a future liability or receivable, as the case may be, in excess of €50,000 per year and is not terminable by the Company or a Subsidiary by notice of not more than 60 days for a cost of less than €5,000;

Table of Contents

- (iv) (A) Contract under which the Company or any Subsidiary has borrowed any money from, or issued any note, bond, debenture or any other evidence of indebtedness to, any person (other than the Company or any Subsidiary) or (B) any other note, bond, debenture or any other evidence of indebtedness of the Company or any Subsidiary (other than in favor of the Company or a Subsidiary);
 - (v) Contract (including any so-called take-or-pay or keepwell agreements) under which (A) any person, including the Company or any Subsidiary, has directly or indirectly guaranteed indebtedness, liabilities or obligations of the Company or any Subsidiary or (B) the Company or any Subsidiary has directly or indirectly guaranteed indebtedness, liabilities or obligations of any person including the Company or any Subsidiary (in each case other than endorsements for the purpose of collection in the ordinary course of business);
 - (vi) Contract under which the Company or any Subsidiary has, directly or indirectly, made any advance, loan, extension of credit or capital contribution to, or other investment in, any person (other than the Company or any Subsidiary) in any such case that, individually, is in excess of ₺ 50,000;
 - (vii) Contract providing for indemnification of any person with respect to liabilities relating to any current or former business of the Company, any Subsidiary or any predecessor person or affiliate (other than Contracts entered into in the ordinary course of business);
 - (viii) power of attorney (other than a power of attorney given in the ordinary course of business with respect to routine tax or corporate matters);
 - (ix) confidentiality agreement entered into since May 1, 2001 (other than confidentiality agreements requiring a person other than the Company or any Subsidiary to keep confidential information of the Company or any Subsidiary);
 - (x) Contract involving payment by the Company or any Subsidiary of more than ₺ 50,000 unless terminable without payment or penalty upon no more than 60 days' notice, and other than employment agreements with any officer or employee of the Company or any Subsidiary;
 - (xi) Contract involving the obligation of the Company or any Subsidiary to deliver products or services for payment of more than ₺125,000 per year, other than Contracts entered into in the ordinary course of business that do not materially deviate from the applicable standard form agreements;
 - (xii) Contract providing for the services of any dealer, distributor, sales representative, franchisee or similar representative involving the payment or receipt over the life of such Contract in excess of ₺ 50,000 per year by the Company or any Subsidiary; or
 - (xiii) other Contract not set forth above to which the Company or a Subsidiary is a party or by which it or any of its assets or businesses is bound or subject the expiration, nonrenewal or termination of which could reasonably be expected to have a Material Adverse Effect.
- (b) Except as set forth on Schedule 3.8, all Contracts required to be listed in Schedule 3.8 (**Company Contracts**) are valid, binding and in full force and effect and are enforceable by the Company or

Table of Contents

the applicable Subsidiary in accordance with their terms and do not contain any provision relating to change in control or other terms that will become applicable or inapplicable upon the consummation of the Acquisition. Except as set forth on Schedule 3.8, none of the Company or any Subsidiary is (with or without the lapse of time or the giving of notice, or both) in material breach or material default in any respect under any Company Contract and, to Seller's Knowledge, no other party to any Company Contract is (with or without the lapse of time or the giving of notice, or both) in material breach or material default in any respect thereunder. None of Seller, the Company or any Subsidiary has, except as disclosed on Schedule 3.8, received any notice of the intention of any party to terminate or not renew any Company Contract or to accelerate or modify in a manner adverse to the Company or any Subsidiary any of the Company's or such Subsidiary's obligations or rights under such Contract, except where such intention, individually or in the aggregate, could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. Complete and correct copies of all Company Contracts, together with all modifications and amendments thereto, have been delivered to Parent.

3.9 Receivables

All the accounts receivable of the Company and the Subsidiaries, whether reflected in the Balance Sheet or subsequently created, (i) represent actual indebtedness incurred by the applicable account debtors and (ii) have arisen from bona fide transactions in the ordinary course of the business of the Company and the Subsidiaries. To Seller's Knowledge, all such accounts receivable are good and collectible at the aggregate recorded amounts thereof, net of any applicable reserves for doubtful accounts reflected on the Balance Sheet. Except as set forth on Schedule 3.9, the Company and each Subsidiary has good and marketable title to its respective accounts receivable, free and clear of all Liens. Since the date of the Balance Sheet, there have not been any write-offs as uncollectible of any customer accounts receivable of the Company or any Subsidiary, except for write-offs in the ordinary course of the businesses of the Company or such Subsidiary and consistent with past practice.

3.10 Permits

- (a) The Company and the Subsidiaries have obtained all material franchises, grants, easements, variances, exceptions, consents, orders, certificates, licenses, permits, authorizations and approvals (each, a **Permit**) from Government Entities that are necessary or desirable for the conduct of business of the Company and the Subsidiaries as currently conducted. To Seller's Knowledge, the Company and the Subsidiaries have complied in all material respects with the terms of such Permits. Neither the Company nor any Subsidiary has received any notice that any Government Entity intends to cancel or terminate any of the Permits or that valid grounds for such cancellation or termination exist.
- (b) No material Permit shall be subject to revocation, suspension, modification or nonrenewal as a result of the execution and delivery of this Agreement or the consummation of the Acquisition.

3.11 Insurance

- (a) Details of all insurance policies currently protecting the Company and the Subsidiaries and their respective assets and properties against loss, liability, cost or expense are set forth on Schedule 3.11. All such policies are in full force and effect, all premiums due and payable thereon have been paid on a timely basis (other than retroactive or retrospective premium adjustments that are not yet, but may be, required to be paid with respect to any period ending prior to the Closing

[Table of Contents](#)

Date under comprehensive general liability and workmen's compensation insurance policies), and no notice of cancellation or termination has been received with respect to any such policy (other than with respect to a policy that has been replaced on substantially similar terms prior to the date of such cancellation or termination). Seller has delivered to Parent true and complete copies of all such policies as in effect on the date hereof. The activities and operations of the Company and the Subsidiaries have been conducted in a manner so as to conform in all material respects to all applicable provisions of such insurance policies.

- (b) All claims, circumstances and information that should have been reported to any insurers before the Closing Date in relation to the Company and the Subsidiaries will have been notified to them on a timely basis; and all material notified open claims in relation to the Company and the Subsidiaries have been disclosed to Parent.

3.12 Taxes

- (a) For purposes of this Agreement:

Code means the Internal Revenue Code of 1986, as amended.

Income Tax or **Income Taxes** means any and all Taxes (as defined in this Section 3.12(a)) based upon, measured by or calculated with respect to net income or receipts (including, but not limited to, any capital gains and alternative minimum taxes).

Income Tax Returns means any and all Tax Returns (as defined in this Section 3.12(a)) relating to Income Taxes.

IRS means the Internal Revenue Service of the United States.

Post-Closing Tax Period shall include the following: (i) any taxable period beginning after the Closing Date; and (ii) the portion of a Straddle Period that is attributable to a tax period after the Closing Date. For purposes of this definition, the portion of a Straddle Period that is attributable to a tax period after the Closing Date shall be determined by assuming that the Straddle Period consisted of two taxable years or periods, one of which ended at the close of the Closing Date and the other of which began at the beginning of the day following the Closing Date, and items of income, gain, deduction, loss or credit for the Straddle Period shall be allocated between such two taxable years or periods on a "closing of the books basis" by assuming that the relevant books were closed at the close of the Closing Date and, accordingly, the portion of a Straddle Period that is attributable to a tax period after the Closing Date shall be the taxable year or period that is deemed to begin at the beginning of the day following the Closing Date (with its relevant Tax items calculated in accordance with the foregoing).

Pre-Closing Tax Period shall include the following: (i) any taxable period ending on or before the Closing Date; and (ii) the portion of a Straddle Period that is attributable to a tax period before the Closing Date. For purposes of this definition, the portion of a Straddle Period that is attributable to a tax period before the Closing Date shall be determined by assuming that the Straddle Period consisted of two taxable years or periods, one of which ended at the close of the Closing Date and the other of which began at the beginning of the day following the Closing Date, and items of income, gain, deduction, loss or credit for the Straddle Period shall be allocated between such two taxable years or periods on a "closing of the books basis" by assuming that the relevant books were closed at the close of the Closing Date and, accordingly,

[Table of Contents](#)

the portion of a Straddle Period that is attributable to a tax period before the Closing Date shall be the taxable year or period that is deemed to end at the close of the Closing Date (with its relevant Tax items calculated in accordance with the foregoing).

Regulations means the Treasury Regulations (including Temporary Regulations) promulgated by the United States Department of Treasury with respect to the Code or other federal tax statutes.

Straddle Period means a taxable period that includes (but does not end on) the Closing Date.

Tax or Taxes (and with correlative meaning, **Taxation**) means any tax and any duty, impost, levy custom, fee, or government charge or other like assessment, (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Government Entity or other taxing authority, including corporation tax, Income tax, alternative minimum tax, national insurance and social security contributions, capital gains tax, inheritance tax, development land tax, value added tax, customs, excise and import duties, franchise tax, windfall or other profits taxes, gross receipts tax, property tax, real estate transfer tax, sales tax, use tax, license taxes, transaction taxes, occupation taxes, capital stock tax, payroll tax, employment tax (including any obligation of an employer to deduct payments on earnings), worker's compensation, unemployment compensation, net worth tax, taxes in the nature of withholding, ad valorem tax, stamp tax, transfer tax, estimated tax, or gains taxes, and any deferred taxation.

Tax Return means any return, report, declaration, form, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto and including any amendment thereof.

- (b) Except as set forth in Schedule 3.12(b), the Company and each Subsidiary has: (i) duly and timely filed with all appropriate Tax authorities all material Tax Returns required to be filed by or with respect to the Company and that Subsidiary, and each such Tax Return is true, correct and complete in all material respects, (ii) duly and timely paid all Taxes shown to be due on such Tax Returns with respect to the Company or that Subsidiary (as the case may be), and (iii) kept all records that it is required to keep for Taxation purposes, such records being available for inspection at the premises of the Company or that Subsidiary (as the case may be).
- (c) Except as set forth on Schedule 3.12(c), no audit, action, suit, proceeding, investigation, or other examination regarding material Taxes for which the Company or any Subsidiary may have any liability has been made or is currently pending against or with respect to the Company or any Subsidiary and Seller, the Company nor any Subsidiary has received any notice of any audit, suit, proceeding, investigation or other examination.
- (d) The Company and each Subsidiary has made all material deductions or withholding in respect, or on account, of any Taxation from any payments made by it that it is obliged to make and has accounted in full to the appropriate Tax authority for all amounts so deducted or withheld.
- (e) Except as set forth in Schedule 3.12(e), no material adjustment relating to any Tax Returns has been proposed by any Tax authority (insofar as either relates to the activities or income of or could result in liability of the Company or any Subsidiary).

Table of Contents

- (f) All claims or requests for any particular treatment relating to Taxation that have been taken into account in computing any amount in the Financial Statements and the time limit for making which has passed have been duly made.
- (g) The charges, accruals and reserves for Taxes reflected on the Financial Statements are complete and correct in all material respects and are adequate to cover all liabilities for Taxes of the Company and each Subsidiary through December 31, 2003. The charges, accruals and reserves for Taxes to be reflected on the Statement referred to in Section 1.4 will be adequate to cover all liabilities for Taxes of the Company and each Subsidiary through the Closing Date.
- (h) Except as set forth in Schedule 3.12(h), neither the Company nor any Subsidiary is, nor at any time in the last six years has been, a member of any consolidated group for Tax purposes nor has any of them filed a consolidated Tax Return with any applicable Tax authority, nor is any of them jointly and severally liable for the Taxes of any other entity.
- (i) Except as set forth in Schedule 3.12(i), neither the Company nor any Subsidiary is, nor at any time in the last six years has been, a party to any Tax sharing arrangement (including without limitation any arrangement under which tax losses or tax reliefs are surrendered or claimed or agreed to be surrendered or claimed).
- (j) Neither the Company nor any Subsidiary is or has been a real property or real estate holding corporation under the meaning of the applicable Tax law with respect to the Company and each Subsidiary.
- (k) There are no material Tax liens on any assets of the Company or any Subsidiary.
- (l) Except as set forth in Schedule 3.12(l), no statute of limitations shall remain open as a result of it having been waived or extended with respect to the payment or collection of Taxes for the Company or any Subsidiary.
- (m) Except as set forth in Schedule 3.12(m), no power of attorney is currently in force that has been granted with respect to any matter relating to Taxes that could affect the Company or any Subsidiary.

3.13 Proceedings

Except as set forth on Schedule 3.13, there is no action, suit, claim, demand, order, directive, arbitration, inquiry, injunction, hearing, proceeding, investigation or other cause of action by or before a Government Entity (a **Proceeding**) pending or, to Seller's Knowledge, threatened against or affecting Seller, the Company or any Subsidiary. Except as specifically set forth on Schedule 3.13, none of the Proceedings or claims listed on Schedule 3.13 as to which there is a possibility of adverse determination, individually or in the aggregate, could be reasonably expected to have, if so adversely determined, a Material Adverse Effect. There is not any Proceeding by Seller, the Company or any Subsidiary pending, or which Seller, the Company or any Subsidiary intends to initiate, against any other person. There are no outstanding judgments against Seller, the Company or any Subsidiary. To Seller's Knowledge, there are no disputes pending or unasserted claims that could reasonably be expected to form the basis for or otherwise give rise to a pending or threatened Proceeding if claimant were to contact Seller, the Company or any Subsidiary.

3.14 Benefit Plans

- (a) Except as set forth on Schedule 3.14, neither the Company nor any Subsidiary has maintained or currently maintains any “employee pension benefit plan” (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended (**ERISA**)) (a **Pension Plan**), “employee welfare benefit plan” (as defined in Section 3(1) of ERISA) (a **Welfare Plan**), or other plan, arrangement, agreement or policy (written or oral) relating to stock options, stock purchases, compensation, cash or equity incentive, deferred compensation, employment, severance, consulting, retirement, fringe benefits or other employee benefits, in each case maintained or contributed to, or required to be maintained or contributed to, by the Company or any Subsidiary or any other person or entity that, together with the Company, is or was treated as a single employer under Section 414(b), (c), (m) or (o) of the Code (each together with the Company, a **Commonly Controlled Entity**) for the benefit of any present or former officers, employees, agents, directors or independent contractors of the Company or any Subsidiary (all the foregoing being herein called **Benefit Plans**), excluding any Government-sponsored Benefit Plans maintained pursuant to any Applicable Law including, but not limited to, the laws of the United States or any foreign government. Seller has delivered to Parent true, complete and correct copies of:
- (i) each Benefit Plan (or, in the case of any unwritten Benefit Plans, descriptions thereof), including without limitation each standard form of employment agreement used by the Company or any Subsidiary, and most recent summary plan description for each Benefit Plan if required by Applicable Law;
 - (ii) each trust agreement and insurance or annuity contract or other funding or financing arrangement relating to any Benefit Plan; and
 - (iii) materials providing full and accurate details of outstanding entitlements (whether vested, contingent or otherwise) under the 2003 JCF Group Management Fee Plan and any Share Scheme of any employee or former employee of the Company or any Subsidiary.

None of the Benefit Plans is subject to Title IV of ERISA or is intended to be tax-qualified under Section 401(a) of the Code and neither the Company nor any Subsidiary has any liability in respect of any plan previously maintained that was a defined benefit pension plan, subject to Title IV of ERISA or intended to be so tax-qualified.

For the purposes of this Agreement, **Share Schemes** means any plans or arrangements operated by the Company or any Subsidiary under which shares or equity units may be delivered to, held on behalf of or placed under option or award to the employees or former employees of the Company or any Subsidiary.

- (b) There are no investigations by any Government Entity, termination proceedings or other claims (except routine claims for benefits payable under the Benefit Plans) or Proceedings against or involving any Benefit Plan or asserting any rights to or claims for benefits under any Benefit Plan that could give rise to any material liability, and there are not any facts or circumstances that could give rise to any material liability in the event of any such investigation, claim or Proceeding.

Table of Contents

- (c) Each Welfare Plan may be amended or terminated without material liability to the Company or any Subsidiary at any time after the Closing Date. The group health plan maintained by the Company and each Subsidiary and listed on Schedule 3.14 is insured.
- (d) No employee of the Company or any Subsidiary shall be entitled to any additional benefits or any acceleration of the time of payment or vesting of any benefits under any Benefit Plan or otherwise and there will no be “excess parachute payment” (as such term is defined in Section 280G(b)(1) of the Code) as a result of the transactions contemplated by this Agreement.
- (e) Except as set forth on Schedule 3.14 and except for expense account advances made in the ordinary course of business immediately prior to the incurrence of the related expenses, since July 30, 2002, neither the Company nor any of its affiliates has had any loans outstanding to any officer, director or shareholder of the Company or its affiliates that would be impermissible pursuant to Section 13(k)(1) under the Exchange Act.
- (f) Neither the Company nor any Subsidiary has or has had in place any share incentive arrangements for its non-executive directors or any other persons who are not employees of the Company or a Subsidiary.
- (g) Except as set forth on Schedule 3.14, all benefit plans maintained by the Company, its Subsidiaries or its affiliates primarily outside the United States are in compliance in all material respects with Applicable Laws and there are no material unfunded liabilities accrued thereunder.

3.15 Absence of Changes or Events

Except as set forth on Schedule 3.15, since the date of the Balance Sheet, neither the Company nor any Subsidiary has:

- (a) suffered any Material Adverse Effect;
- (b) incurred any material liability or obligation (absolute, accrued, contingent or otherwise) except liabilities incurred in the ordinary course of business, or increased, or experienced any change in any assumptions underlying, or methods of calculating, any bad debt, contingency or other reserves;
- (c) issued, sold or otherwise disposed of, or agreed to issue, sell or otherwise dispose of, any capital stock or any other security of the Company or any Subsidiary and has not granted or agreed to grant any option, warrant or other right to subscribe for or to purchase any capital stock or any other security of the Company or any Subsidiary;
- (d) paid or obligated itself to pay in excess of ₪125,000 in the aggregate for any fixed assets;
- (e) waived any substantial right or canceled, or agreed to cancel, any debts or claims, other than in the ordinary course of business;
- (f) sold, transferred or otherwise disposed of, or agreed to sell, transfer or otherwise dispose of, any assets individually having a fair market value at the time of sale, transfer or disposition of ₪ 25,000 or more, other than in the ordinary course of business;

Table of Contents

- (g) mortgaged, pledged or subjected to any charge, Lien, claim or Encumbrance, or agreed to mortgage, pledge or subject to any charge, Lien, claim or Encumbrance, any of its properties or assets;
- (h) declared, set aside or paid any dividend or made any distribution (whether in cash, property or stock) with respect to any of its capital stock or redeemed, purchased or otherwise acquired, or agreed to redeem, purchase or otherwise acquire, any of its capital stock;
- (i) increased, or agreed to increase, the compensation or bonuses or special compensation of any kind of any of its officers, employees or agents over the rate being paid to them on December 31, 2003, other than normal merit and/or cost-of-living increases pursuant to customary arrangements consistently followed, or adopted or increased any benefit under insurance, pension or other employee benefit plan, payment or arrangement made to, for or with any such officer, employee or agent, or entered into any employment, severance, termination or indemnification agreement or material consulting agreement;
- (j) lost any major customer or had any major customer threaten in writing to terminate or not renew its relationship, in either case, in an amount or prospective amount greater than €100,000 per year;
- (k) entered into any material transaction other than in the ordinary course of business;
- (l) had any resignation or termination of employment of any of its key officers or employees or become aware of any impending or threatened resignation or resignations or termination or terminations of employment that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect;
- (m) made any change in any method of accounting or accounting practice or made any Tax election; or
- (n) made any charitable or political contribution or pledge in excess of ₺ 50,000 in the aggregate.

3.16 Compliance with Applicable Laws

Except as set forth in Schedule 3.16, the Company and each Subsidiary has complied, and is in compliance, with all Applicable Laws required for the conduct of its business as currently or historically conducted, and the consummation of the Acquisition, except for instances of noncompliance that, individually or in the aggregate, have not had and could not reasonably be expected to have a Material Adverse Effect.

Except as set forth on Schedule 3.16, (i) none of Seller, the Company nor any Subsidiary has received any written or oral communication or notice during the past five years from any person that alleges that the Company or any Subsidiary is not in compliance in any material respect with any Applicable Law; or (ii) neither the Company nor any Subsidiary has, pursuant to any anti-trust or similar legislation, given any undertaking, applied for negative clearance, exemption, guidance or approval or had an order, notice or direction made against it or received any request for information or statement of objections from or corresponded with any court or authority. This Section 3.16 does not relate to matters with respect to Taxes, which are the subject of Section 3.12.

3.17 Employee and Labor Matters

(a) Except as set forth on Schedule 3.17:

- (i) there is not any, and during the past three years there has not been any, labor strike, dispute, industrial action, work stoppage or lockout pending, or, to Seller's Knowledge, threatened, against or affecting the Company or any Subsidiary;
- (ii) no union organizational campaign is in progress with respect to the employees of the Company or any Subsidiary and no question concerning representation of such employees exists and neither the Company nor any Subsidiary is a party to any collective bargaining or other labor agreement (except for JCF Group SAS's application of the Syntec collective bargaining agreement and any applicable laws of France);
- (iii) neither the Company nor any Subsidiary is engaged in any material unfair labor practice;
- (iv) neither the Company nor any Subsidiary is in material breach, individually or in the aggregate, of the provisions of Articles L125-1 to L124-4 of the French labor code relating to "marchandage";
- (v) there are not any pending, or, to Seller's Knowledge, threatened, union grievances against the Company or any Subsidiary as to which there is a reasonable likelihood of adverse determination;
- (vi) the Company and each Subsidiary has at all times complied in all material respects with all legal requirements concerning health and safety at work, and no material work accident involving any employee has been reported, or a claim for benefits related thereto filed, in the last two years;
- (vii) the Company and each Subsidiary has duly complied with the material legal requirements concerning working time; there are no disputes in this respect, whether current, pending, envisaged or foreseeable, in particular in connection with overtime; and
- (viii) none of Seller, the Company or any Subsidiary has received written or oral communication during the past two years of the intent of any Government Entity responsible for the enforcement of labor or employment laws to conduct an investigation of or affecting the Company or any Subsidiary and no such investigation is in progress.

(b) Schedule 3.17 sets forth the following information:

- (i) a true, correct and complete list of each employee of the Company and each Subsidiary and his or her department;
- (ii) a true, correct and complete list of each person who has accepted an offer of employment made by the Company or any Subsidiary but whose employment has not yet started and of any outstanding offer of employment made to any person by the Company or any Subsidiary;

Table of Contents

- (iii) emoluments for each employee to the extent such emoluments are not reduced to a written agreement;
 - (iv) a list of each agreement for the provision of consultancy services or the services of personnel to the Company or any Subsidiary and secondments of any person to the Company or any Subsidiary; and
 - (v) particulars of any custom, policy, practice or recurring arrangement (other than pursuant to the terms of a Benefit Plan or regular salary, wages or bonuses) of each of the Company and the Subsidiaries in relation to the remuneration of any of its employees, including remuneration paid in respect of the termination of their employment (whether voluntary or involuntary).
- (c) No member of senior management has given, or has been given, notice of termination of his employment.
 - (d) Since June 24, 2004, no change has been made in the rate of the emoluments of any employee of the Company or any Subsidiary.
 - (e) No proposal, assurance or commitment has been communicated in writing to any employee of the Company or any Subsidiary regarding any change to his terms of employment or working conditions or regarding the continuance, introduction, increase or improvement of any benefit, custom or any discretionary arrangement or practice, other than in the ordinary course of business.
 - (f) Except as set forth on Schedule 3.17, there is no term of employment for any employee of the Company or any Subsidiary that provides that a change of control of the Company or any Subsidiary shall entitle the employee to treat the change of control as amounting to a breach of the contract or entitling him to any payment or benefit whatsoever or entitling him to treat himself as redundant or otherwise dismissed or released from any obligation.
 - (g) Each of the Company and the Subsidiaries has in all material respects complied with its legal obligations to applicants for employment, its employees and former employees.
 - (h) No formal claim in relation to employees or former employees of the Company or any Subsidiary has been made and is outstanding against the Company or any of the Subsidiaries or against any person whom the Company or any of the Subsidiaries is liable to indemnify, other than routine claims for benefits in the ordinary course of business.
 - (i) To Seller's Knowledge, no employee of the Company or any Subsidiary has within a period of five years before the date of this Agreement been involved in any criminal proceedings relating to the business of the Company or any Subsidiary.
 - (j) No employee of the Company or any Subsidiary is a party to or bound by any Contract, or subject to any Proceedings or Judgment, that may interfere with the use of such person's best efforts to promote the interests of the Company and the Subsidiaries or, may conflict with the businesses of the Company and the Subsidiaries or the transactions contemplated hereby or that has had or could reasonably be expected to have a Material Adverse Effect. To Seller's Knowledge, no activity of any employee of the Company or any Subsidiary as or while an employee of the Company or any Subsidiary has caused a violation of any employment contract, confidentiality

[Table of Contents](#)

agreement, patent disclosure agreement or other Contract to which such employee was a party. Neither the execution and delivery of this Agreement nor the consummation of the Acquisition shall conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any Contract under which any such employee is now obligated.

3.18 Transactions with Affiliates

Except as set forth on Schedule 3.18, none of the Contracts set forth on Schedule 3.8 between the Company or any Subsidiary, on the one hand, and Seller or any Seller affiliate (other than the Company or any Subsidiary), on the other hand, shall continue to be in effect subsequent to the Closing. Except as set forth on Schedule 3.18, after the Closing none of the affiliates of Seller (other than the Company or any Subsidiary) shall have any material interest in any property (real or personal, tangible or intangible) or Contract of the Company or any Subsidiary or used in or pertaining to their business. Except as set forth on Schedule 3.18, neither Seller nor any of its affiliates (other than the Company or any Subsidiary) provides any material services to the Company or any Subsidiary. Except as set forth on Schedule 3.18, there is no transaction, and no transaction now proposed, to which the Company or any Subsidiary was or is to be a party and in which any director or officer of the Company or any Subsidiary or any person owning of record or beneficially more than 10 percent of any class of the outstanding capital stock of the Company or any Subsidiary (each such person an affiliate) or any associate of any such person had or has a direct or indirect material interest.

3.19 Disclosure

No representation or warranty of Seller contained in this Agreement or the Schedules contains or shall contain any untrue statement of a material fact, or omits or shall omit to state any material fact necessary, in light of the circumstances under which it was or shall be made, in order to make the statements herein or therein not misleading or necessary in order to fully and fairly provide the information required to be provided in any such representation, warranty or Schedule.

3.20 Customers

Except for the customers named on Schedule 3.20, neither the Company nor any Subsidiary has any customer (other than the Company or a Subsidiary) to whom it made more than 5 percent of its total sales during its most recent full fiscal year. Except as set forth on Schedule 3.20, since the date of the Balance Sheet, there has not been (i) any material adverse change in the business relationship of the Company or any Subsidiary with any customer named on Schedule 3.20 or (ii) any change in any material term (including credit terms) of any sales agreements or any related agreements with any such customer.

3.21 Private Offering

None of Seller's Stockholder Representative, Seller, the Company, or any affiliate or representative has issued, sold or offered any security of the Company to any person under circumstances that would cause the sale of the Shares, as contemplated by this Agreement, to be subject to the registration requirements of the Securities Act. None of Seller's Stockholder Representative, Seller, the Company, or any affiliate or representative shall offer the Shares or any part thereof or any similar securities for the issuance or sale to, or solicit any offer to acquire any of the same from, anyone so as to make the issuance and sale of the Shares subject to the registration requirements of Section 5 of the Securities Act. Assuming the representations of

[Table of Contents](#)

Purchaser and Parent contained in Section 4.5 are true and correct, the sale and delivery of the Shares hereunder are exempt from the registration and prospectus delivery requirements of the Securities Act.

3.22 Corrupt Practices

- (a) Neither the Company nor any Subsidiary nor any of their respective senior managers has ever been (nor does Seller's Stockholder Representative or Seller have any reasonable basis for concluding that any of the aforementioned may be) convicted of any criminal or found guilty of any civil offense, in either case involving fraud, misrepresentation, dishonesty, breach of fiduciary duty, substantive violation of banking or corporate tax, Applicable Laws, embezzlement or other fraudulent conversion or misappropriation of property. Neither the Company nor any Subsidiary has ever, directly or indirectly, (i) entered into any transaction that violates any anti-money laundering Applicable Law or policy, and there has been no action by any person, or any internal investigation, relating thereto, (ii) made any political contribution or expenditure except in accordance with Applicable Law, or (iii) offered or provided any unlawful remuneration, entertainment or gifts to any person, including any official of any Government Entity except for small payments where it becomes necessary to expedite or secure the performance of routine governmental actions. The Company and each Subsidiary has complied in all material respects with all applicable "know-your-customer" rules, and, to Seller's Knowledge, no customer (including any beneficiary of any account) is listed on any list of blocked persons maintained by the Office of Foreign Assets Control of the U.S. Department of Treasury.
- (b) Neither the Company nor any Subsidiary nor any director, officer, agent, employee or other person associated with or acting on behalf of the Company or any Subsidiary has used any corporate funds for any unlawful contribution, gift, entertainment or other expense relating to political activity or made any direct or indirect unlawful payment to any United States or foreign government official or employee from corporate funds or violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977 or paid or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

3.23 Accounting Practices

- (a) Each of the Company and the Subsidiaries maintains accurate books and records reflecting its assets and liabilities and maintains adequate internal accounting controls that provide reasonable assurance that (i) transactions are executed with management's authorization; (ii) transactions are recorded as necessary to permit preparation of the Company's and each Subsidiary's financial statements and to maintain accountability for the assets of the Company and each Subsidiary; (iii) access to the financial assets of the Company and each Subsidiary is permitted only in accordance with management's authorization; (iv) the reporting of the Company's and each Subsidiary's financial assets is compared with existing financial assets at regular intervals; and (v) accounts, notes and other receivables are recorded accurately, and adequate procedures are implemented to effect the collection thereof on a current and timely basis.
- (b) Except as set forth on Schedule 3.23, Seller's Stockholder Representative is not aware of (a) any significant deficiencies in the design or operation of internal controls that could adversely affect the Company's or any Subsidiary's ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's or any Subsidiary's internal control over financial reporting.

4. REPRESENTATIONS AND WARRANTIES OF PURCHASER AND PARENT

Purchaser and Parent (collectively, the **Purchaser Parties**) hereby jointly and severally represent and warrant to Seller, as of the date of this Agreement and as of the Closing Date, as follows:

4.1 Organization; Standing and Power

Such Purchaser Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has the corporate power and authority and possesses all government franchises, licenses, permits, authorizations and approvals necessary to enable it to own, lease or otherwise hold its properties and assets and to carry on its business as presently conducted, other than such franchises, licenses, permits, authorizations and approvals the lack of which, individually or in the aggregate, have not and could not reasonably be expected to have a material adverse effect on the ability of such Purchaser Party to perform its obligations under this Agreement and the Ancillary Agreements or the ability of such Purchaser Party to consummate the Acquisition and the other transactions contemplated hereby (a **Purchaser Material Adverse Effect**).

4.2 Authority, Execution and Delivery, Enforceability

Such Purchaser Party has full power and authority to execute this Agreement and the Ancillary Agreements to which it is, or is specified to be, a party and to consummate the Acquisition and the other transactions contemplated hereby and thereby. The execution and delivery by such Purchaser Party of this Agreement and the Ancillary Agreements to which it is, or is specified to be, a party and the consummation by such Purchaser Party of the Acquisition and the other transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action. Such Purchaser Party has duly executed and delivered this Agreement and prior to the Closing shall have duly executed and delivered each Ancillary Agreement to which it is, or is specified to be, a party, and this Agreement constitutes, and each Ancillary Agreement to which it is, or is specified to be, a party shall after the Closing constitute, its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other Applicable Laws relating to or affecting creditors' rights generally and to general equitable principles.

4.3 No Conflicts, Consents

The execution and delivery by such Purchaser Party of this Agreement do not, the execution and delivery by such Purchaser Party of each Ancillary Agreement to which it is, or is specified to be, a party shall not, and the consummation of the Acquisition and the other transactions contemplated hereby and thereby and compliance by such Purchaser Party with the terms hereof and thereof shall not conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien upon any of the properties or assets of such Purchaser Party or any of its subsidiaries under, any provisions of (i) the certificate of incorporation or by-laws of such Purchaser Party or any of its subsidiaries, (ii) any Contract to which such Purchaser Party or any of its subsidiaries is a party or by which any of their respective properties or assets is bound or (iii) any Judgment or Applicable Law applicable to such Purchaser Party or any of its subsidiaries or their respective properties or assets, other than, in the case of subclauses (ii) and (iii) above, any such items that, individually or in the aggregate, have not had and could not reasonably be expected to have a Purchaser

[Table of Contents](#)

Material Adverse Effect. No Consent of or registration, declaration or filing with any Government Entity is required to be obtained or made by or with respect to such Purchaser Party or any of its subsidiaries in connection with the execution, delivery and performance of this Agreement or any Ancillary Agreement or the consummation of the Acquisition or the other transactions contemplated hereby and thereby, other than (i) compliance with and any filings required under Section 13(a) or 15(d) of the Exchange Act, and (ii) those that may be required solely by reason of the participation of Seller and the Company (as distinguished from any other third party) in the Acquisition and other transactions contemplated hereby and by the Ancillary Agreements).

4.4 Litigation

There are no (i) outstanding Judgments against such Purchaser Party or any of its subsidiaries, (ii) Proceedings pending or, to the knowledge of Parent, threatened against such Purchaser Party or any of its subsidiaries or (iii) investigations by any Government Entity that are, to the knowledge of Parent, pending or threatened against such Purchaser Party or any of its subsidiaries that, in any case, individually or in the aggregate, have had or could reasonably be expected to have a Purchaser Material Adverse Effect.

4.5 Securities Act

The Shares to be purchased by the Purchaser pursuant to this Agreement are being acquired for investment only and not with a view to any public distribution thereof, and the Purchaser shall not offer to sell or otherwise dispose of the Shares so acquired by it in violation of any of the registration requirements of the Securities Act.

4.6 Brokers

No broker, finder or investment banker is or will be entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement and the Escrow Agreement based upon arrangements made by or on behalf of the Parent, except for a fee payable by Parent to Paragon Capital Partners LLC.

4.7 Availability of Funds

Parent has cash available or has existing borrowing facilities that together are sufficient to enable it to consummate the Acquisition.

4.8 Investigation by Parent; Seller's Liability

- (a) Parent has conducted its own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition, software, technology and prospects of the Company and the Subsidiaries, which investigation, review and analysis was done by Parent and, to the extent such Parent deemed appropriate, by Purchaser Affiliates. Parent acknowledges that it and the Purchaser Affiliates have been provided adequate access to the personnel, properties, premises and records of the Company and the Subsidiaries for such purpose.
- (b) Parent acknowledges that, except as set forth in this Agreement, none of the Seller Affiliates makes or has made any representation or warranty, either express or implied, as to the accuracy or

Table of Contents

completeness of any of the information provided or made available to the Purchaser Affiliates. Parent further agrees that, to the fullest extent permitted by law, no Seller Affiliate shall have any liability or responsibility whatsoever to any Purchaser Affiliate on any basis (including in contract or tort, under federal or state securities laws or otherwise) based upon any information provided or made available, or statements made, to any Purchaser Affiliate (or any omissions therefrom), other than (in the case of Seller and Seller's Stockholder Representative) in respect of the specific representations and warranties set forth in Section 2 and 3 of this Agreement.

4.9 Disclosure of Information

Parent has filed all required reports, schedules, forms, statements and other documents with the US Securities and Exchange Commission (**SEC**) since September 1, 2002, including, without limitation Parent's Annual Report on Form 10-K for the year ended August 31, 2003 and all subsequently filed Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings made since such date by Parent with the SEC, all of which are available on the SEC's website at www.sec.gov (collectively, the **SEC Reports**). As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such SEC Reports, and none of the SEC Reports contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Except to the extent that information contained in any SEC Report has been revised or superseded by a later filed SEC Report, none of the SEC Reports contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

5. COVENANTS

5.1 Covenants Relating to Conduct of Business

- (a) Except for matters set forth on Schedule 5.1, from the date of this Agreement to the Closing, Seller and Seller's Stockholder Representative shall cause the businesses of the Company and the Subsidiaries to be conducted in the usual, regular and ordinary course in substantially the same manner as previously conducted (including with respect to research and development efforts, advertising, promotions, capital expenditures and inventory levels) and use all commercially reasonable efforts to keep intact their respective businesses, keep available the services of their current employees and preserve their relationships with customers, suppliers, licensors, licensees, distributors and others with whom they deal to the end that their respective businesses shall be unimpaired at the Closing. Prior to the Closing, Seller and Seller's Stockholder Representative shall not, and shall not permit the Company or any Subsidiary to, take any action that would, or that could be expected to, result in any of the conditions to the purchase and sale of the Shares set forth in Section 6 not being satisfied. In addition (and without limiting the generality of the foregoing), Seller and Seller's Stockholder Representative shall not permit the Company or any Subsidiary to do any of the following without the prior written consent of Parent:
- (i) amend its certificate of incorporation or by-laws (or comparable charter document);
 - (ii) declare or pay any dividend or make any other distribution to its stockholders whether or not upon or in respect of any shares of its capital stock;

Table of Contents

- (iii) redeem or otherwise acquire any shares of its capital stock or issue any capital stock or any option, warrant or right relating thereto or any securities convertible into or exchangeable for any shares of capital stock;
 - (iv) adopt, terminate or amend any Benefit Plan (or any plan that would be a Benefit Plan if adopted) or enter into, adopt, extend (beyond the Closing Date), renew or amend any collective bargaining agreement or other Contract with any labor organization, union or association, except in each case as required by Applicable Law after providing written notice to Parent and except in the case of the Management Fee Plan, which shall be terminated by Seller prior to Closing in accordance with Section 6.2;
 - (v) grant to any director, executive officer or employee any increase in compensation or benefits, except in the ordinary course of business and consistent with past practice or as may be required under existing agreements and except for any increases for which Seller shall be solely obligated (for purposes of this Section 5.1(a)(v) Seller may obtain prior written consent of Parent by email correspondence);
 - (vi) hire, or terminate the employment of, any employees except in the ordinary course of business and consistent with past practice;
 - (vii) incur or assume any liabilities, obligations or indebtedness for borrowed money or guarantee any such liabilities, obligations or indebtedness, other than in the ordinary course of business and consistent with past practice; provided, however, that in no event shall the Company or any Subsidiary incur or assume any long-term indebtedness for borrowed money;
 - (viii) permit, allow or suffer any of its assets to become subjected to any Lien or Encumbrance of any nature whatsoever that would have been required to be set forth on Schedule 3.5 if existing on the date of this Agreement, other than in the ordinary course of business;
 - (ix) cancel any material indebtedness (individually or in the aggregate) or waive any claims or rights of substantial value;
 - (x) except for intercompany transactions in the ordinary course of business, pay, loan or advance any amount to, or sell, transfer or lease any of its assets to, or enter into any Contract with, Seller or any affiliate of Seller that is not the Company or a Subsidiary;
 - (xi) make any change in any method of accounting or accounting policy other than those required by IAS or make any Tax election;
 - (xii) acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire any assets (other than inventory) that are material, individually or in the aggregate, to the Company and the Subsidiaries taken as a whole;
- [Redacted]

Table of Contents

- (xiv) sell, lease, license or otherwise dispose of any of its assets, except inventory and obsolete or excess equipment sold in the ordinary course of business and consistent with past practice;
- (xv) enter into any lease of real property, except any renewals of existing property in the ordinary course of business approved by Parent;
- (xvi) modify, amend, terminate, renew or permit the lapse of any lease of, or reciprocal easement agreement, operating agreement or other material agreement relating to, Leased Real Property (except modifications or amendments associated with renewals of existing leases approved by Parent and except for the scheduled lapse of any lease set forth on Schedule 3.6 in accordance with its terms);

[Redacted]

(xviii) authorize any of, or commit or agree, whether in writing or otherwise, to take or to do any of the foregoing actions.

(b) Advice of Changes

Seller shall promptly advise Parent in writing of the occurrence of any matter or event that materially adversely affects the business, assets, condition (financial or otherwise), working capital, liabilities or results of operations of any of the Company or any of the Subsidiaries.

(c) Consultation

In connection with the continuing operation of the businesses of the Company and the Subsidiaries between the date of this Agreement and the Closing, Seller shall use its commercially reasonable efforts to consult in good faith on a regular and frequent basis with Parent to report all material operational developments and the general status of ongoing operations pursuant to procedures requested by Parent. Seller acknowledges that any such consultation shall not constitute a waiver by any Purchaser or Parent of any rights it may have under this Agreement and that no Purchaser Party shall have any liability or responsibility for any actions of Seller or any of its officers or directors with respect to matters that are the subject of such consultations.

5.2 No Solicitation

None of Seller's Stockholder Representative, Seller, the Company or any Subsidiary shall authorize or permit any officer, director or employee of, or any investment banker, attorney, accountant or other representative retained by, Seller's Stockholder Representative, Seller, the Company or any Subsidiary to solicit, initiate or encourage any "other bid" (as defined below), enter into any agreement with respect to any other bid or participate in any discussions or

[Table of Contents](#)

negotiations regarding, or furnish to any person any information with respect to, or take any other action to facilitate any inquiries or the making of any proposal that constitutes, or may be expected to lead to, any other bid. Seller's Stockholder Representative, Seller, the Company and the Subsidiaries promptly shall advise Parent orally and in writing of any other bid or any inquiry that could lead to any other bid and the identity of the person making any such other bid or inquiry. As used in this Section 5.2, "other bid" shall mean any proposal for a merger, sale of securities, sale of substantial assets or similar transaction involving the Company or any Subsidiary, other than the transactions contemplated by this Agreement.

5.3 Access to Information

Seller and Seller's Stockholder Representative shall, and shall cause the Company and each Subsidiary to, at the expense of Parent, afford to Parent and its lenders and accountants, counsel and other representatives full and complete access, upon reasonable notice during normal business hours during the period prior to the Closing, to any and all of the properties, assets, books, contracts, commitments, Tax Returns, records and other documents of the Company and each Subsidiary, and, during such period shall furnish promptly to Parent any information concerning the Company or any Subsidiary as Parent may request. Parent shall conduct all such inspections in a manner that will minimize disruptions to the business and operations of the Company and the Subsidiaries. As part of such examination, Parent may make such inquiries of such persons having business relationships with the Company and the Subsidiaries (including, but not limited to, suppliers, licensees, distributors and customers) as Parent shall reasonably determine appropriate and Seller shall cooperate, and shall cause the Company and each Subsidiary to cooperate, with Parent in connection therewith.

5.4 Confidentiality

- (a) Parent acknowledges that the information being provided to it in connection with the Acquisition and the consummation of the other transactions contemplated hereby is subject to the terms of a confidentiality agreement between Parent and Seller (the **Confidentiality Agreement**), the terms of which are incorporated herein by reference. Effective upon, and only upon, the Closing, the Confidentiality Agreement shall terminate.
- (b) Seller and Seller's Stockholder Representative shall keep confidential all information relating to the Company and the Subsidiaries. The covenant set forth in this Section 5.4(b) shall terminate three years after the Closing Date.
- (c) Seller hereby assigns, effective at the Closing, to Parent its rights under all confidentiality agreements entered into by Seller with any person in connection with the proposed sale of the Company to the extent such rights relate to the Company and the Subsidiaries. Copies of such confidentiality agreements shall be provided to Parent on the Closing Date.

5.5 Commercially Reasonable Efforts

- (a) On the terms and subject to the conditions of this Agreement, each party shall use its commercially reasonable efforts to cause the Closing to occur, including taking all reasonable actions necessary to comply promptly with all legal requirements that may be imposed on it or any of its affiliates with respect to the Closing. Without limiting the foregoing or the provisions set forth in Section 5.5(b), and subject to the second paragraph of Section 1.2, each party to this Agreement shall use its commercially reasonable efforts to cause the Closing to occur on or prior to July 30, 2004, and in no event later than September 7, 2004.

[Table of Contents](#)

- (b) To the extent required, Parent shall as promptly as practicable following the execution and delivery of this Agreement make all necessary filings with the competition and/or merger control authorities of the United Kingdom. Seller, Seller's Stockholder Representative, the Company and the Subsidiaries shall furnish such information and reasonable assistance as shall be necessary or appropriate for the making of such filings by Parent, and shall use their best efforts to obtain any clearance required.
- (c) Prior to the Closing and for a period of 12 months after the Closing, each party shall, and shall cause its affiliates to, use its commercially reasonable efforts to obtain, and to cooperate in obtaining, all consents from third parties necessary or appropriate to permit the consummation of the Acquisition and the continued operation of the businesses of the Company and the Subsidiaries by Parent and the Purchaser in substantially the same manner as previously conducted; provided, however, that the parties shall not be required to pay or commit to pay any amount to (or incur any obligation in favor of) any person from whom any such consent may be required (other than nominal filing or application fees).
- (d) Seller shall use its reasonable best efforts to cause each of the Key Employees to enter into an Employment Agreement, effective as of the Closing Date, as soon as practicable after the execution and delivery of this Agreement.

5.6 Expenses, Transfer Taxes

- (a) Whether or not the Closing takes place, and except as set forth herein and in Sections 5.9, 8 and 9.3, all costs and expenses incurred in connection with this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby shall be paid by the party incurring such expense, including all costs and expenses incurred pursuant to Sections 5.3 and 5.5.
- (b) All transfer taxes and stamp or registration duties applicable to the transfer of the Shares shall be paid by Seller. Each party shall use reasonable efforts to avail itself of any available exemptions from any such Taxes or fees, and to cooperate with the other parties in providing any information and documentation that may be necessary to obtain such exemptions.
- (c) All transfer taxes applicable to the transfer of Leased Real Property shall be paid and borne by Seller. Each party shall use reasonable efforts to avail itself of any available exemptions from any such Taxes or fees, and to cooperate with the other parties in providing any information and documentation that may be necessary to obtain such exemptions and to effect the real estate transfer tax filings.

5.7 Tax Matters

(a) Return Filings

The Company and each Subsidiary shall timely prepare and file with the appropriate authorities all Tax Returns required to be filed prior to the Closing Date taking into account any applicable extensions, and shall pay all Taxes due with respect to such Tax Returns; provided, however, that (i) at least 30 days prior to the due date for filing any material Tax Returns (taking into account

Table of Contents

any applicable extensions), Seller shall furnish Parent with a completed copy of each material Tax Return for review and comment by Parent and (ii) no such material Tax Returns shall be filed with any taxing authority without prior written consent of Parent (which shall not be unreasonably withheld). Any Tax Return described in the preceding sentence shall be true, correct and complete in all material respects. For purposes of this Section 5.7(a)(i) and (ii), material Tax Returns shall include all Tax Returns other than VAT returns.

(b) Cooperation

Seller, the Company, each Subsidiary, Seller's Stockholder Representative and Parent shall reasonably cooperate, and shall cause their respective affiliates, officers, employees, agents, auditors and representatives reasonably to cooperate, in preparing and filing all Tax Returns, including maintaining and making available to each other all records necessary in connection with Taxes and in resolving all disputes and audits with respect to all taxable periods relating to Taxes. Seller and its affiliates shall need access, from time to time, after the Closing Date, to certain accounting and Tax records and information held by the Company and the Subsidiaries to the extent such records and information pertain to events occurring prior to the Closing Date; therefore, Parent and the Company shall (i) use its best efforts to properly retain and maintain such records until the expiration of the applicable statute of limitations, and (ii) to allow Seller and its agents and representatives (and agents or representatives of any of its affiliates), upon 30 days' notice and at times and dates acceptable to Parent and the Company, to inspect, review and make copies of such records as Seller may deem necessary or appropriate from time to time, such activities to be conducted during normal business hours and at Seller's expense.

(c) Refunds and Credits

Any refund or credit of Taxes of the Company or any Subsidiary for any taxable period ending on or before the Closing Date (a **Pre-Closing Tax Period Refund**) shall be for the account of Seller to the extent the Company or any of the Subsidiaries has (1) paid, or (2) reserved for in the Financial Statements or Statement, or the Seller or Seller's Stockholder Representative has made an indemnification payment under Section 8.1(a), for the Pre-Closing period Tax liability to which such Pre-Closing Tax Period Refund relates; otherwise, such Pre-Closing Tax Period Refund shall be for the account of Parent. For the purposes of the foregoing, the reserve described on Schedule 3.12 relating to the French Tax Department audit for fiscal years 2000 and 2001, shall be treated as a refund of such tax, to the extent any assessment once paid is less than such reserved amount. Notwithstanding the foregoing, any such refund or credit shall be for the account of Parent to the extent that such refunds or credits are attributable (determined on a marginal basis) to the carryback from a taxable period beginning after the Closing Date (or the portion of a Straddle Period (as defined in Section 3.12(a)) that begins on the date after the Closing Date) of items of loss, deductions or other Tax items of the Company or any Subsidiary (or any of their respective affiliates, including Purchaser and Parent). Any refund or credit of Taxes of the Company or any Subsidiary for any Straddle Period shall be equitably apportioned between Seller and Parent; provided, however, that Seller shall be entitled to its portion of such refund or credit to the extent the Company or any of the Subsidiaries has (1) paid, or (2) reserved for in the Financial Statements or the Statement, or the Seller or Seller's Stockholder Representative has made an indemnification payment under Section 8.1(a) with respect to, the Taxes to which the Pre-Closing Tax Period portion of the refund or credit relates; otherwise, such portion of the refund or credit shall be for the account of Parent. Parent shall, if Seller so requests and at Seller's expense, cause the Company or any Subsidiary to file for and obtain any refunds or credits to which Seller is entitled under this Section 5.7(c). Each party shall, or shall cause its

[Table of Contents](#)

affiliates to, forward to any other party entitled under this Section 5.7(c) to any refund or credit of Taxes any such refund within 10 days after such refund is received or reimburse such other party for any such credit within 10 days after the credit is allowed or applied against other Tax liability; provided, however, that any such amounts shall be net of any Tax cost or benefit to the payor party attributable to the receipt of such refund and/or the payment of such amounts to the payee party. The parties shall treat any payments under the preceding sentence as an adjustment to the Cash Consideration, unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to Parent or any of its affiliates causes any such payment not to be treated as an adjustment to the Purchase Price for Tax purposes. Notwithstanding the foregoing, the control of the prosecution of a claim for refund of Taxes paid pursuant to a deficiency assessed subsequent to the Closing Date as a result of an audit shall be governed by the provisions of Section 8.6(d).

(d) Tax Sharing Agreements

Seller shall cause the provisions of any Tax sharing agreement between (i) Seller or any of its affiliates (other than the Company and the Subsidiaries) and (ii) the Company or any Subsidiary, to be terminated on or before the Closing Date. After the Closing Date, no party shall have any rights or obligations under any such Tax sharing agreement.

(e) Prior Period Returns

Seller shall be responsible for filing any amended consolidated, combined or unitary Tax Returns for taxable years ending on or prior to the Closing Date that are required as a result of examination adjustments, inquiries or assessments made by any applicable taxing authorities for such taxable years as finally determined. For those jurisdictions in which separate Tax Returns are filed by the Company or any Subsidiary, any required amended returns resulting from such examination adjustments, inquiries or assessments, as finally determined, shall be prepared by Seller and furnished to the Company or such Subsidiary, as the case may be, for approval, signature and filing at least 30 days prior to the due date for filing such Tax Returns. Notwithstanding the foregoing in this Section 5.7(e) and subject to Section 8.1(a), Parent may prepare and file any such amended, consolidated, combined or unitary Tax Returns relating to the Pre-Closing Tax Period for the Company or any Subsidiary.

5.8 Supplemental Disclosure

- (a) For the purpose of the rights and obligations of the parties under this Agreement, any supplemental or amended Schedule delivered after the execution of this Agreement shall have no effect for the purpose of determining the satisfaction of the conditions set forth in Section 6.2(a) or for purposes of determining whether any person is entitled to indemnification pursuant to Section 8.
- (b) Parent shall promptly notify Seller of, and furnish Seller any information it may reasonably request with respect to, the occurrence to the knowledge of Parent of any event or condition or the existence to the knowledge of Parent of any fact that would cause any of the conditions to Seller's obligation to consummate the Acquisition not to be fulfilled.
- (c) Seller and Seller's Stockholder Representative shall promptly notify Parent of, and furnish Parent with any information Parent may request with respect to, the occurrence of any event or condition or the existence of any fact that would cause any of the conditions to any Purchaser's obligation to consummate the Acquisition not to be fulfilled.

[Table of Contents](#)

- (d) As soon as practicable after June 30, 2004 (if the Closing Date shall not then have occurred), Seller and Sellers' Stockholder Representative shall deliver to Parent an unaudited consolidated balance sheet of the Company and the Subsidiaries as of June 30, 2004 and the related unaudited statements of operations and cash flows for the six-month period then ended, all certified by the chief financial officer of Seller. Delivery of such financial statements shall be deemed a representation and warranty that such financial statements are true, complete and correct in all material respects, have been prepared in conformity with IAS (except for the absence of notes and immaterial deviations) and fairly present the financial condition, results of operations and cash flows of the Company and the Subsidiaries as of the date thereof and for the period then ended, subject to normal year-end adjustments that are not material, individually or in the aggregate, with respect to the Company and the Subsidiaries.

5.9 Post-Closing Cooperation

- (a) Seller and Seller's Stockholder Representative, on the one hand, and Parent, on the other hand, shall cooperate with each other, and shall cause their affiliates and their officers, employees, agents, auditors and representatives to cooperate with each other, for a period of 180 days after the Closing to ensure the orderly transition of the Company and the Subsidiaries from Seller to Purchaser and to minimize any disruption to the Company and the Subsidiaries. After the Closing, upon reasonable written notice, Seller and Seller's Stockholder Representative, on the one hand, and Parent, on the other hand, shall furnish or cause to be furnished to each other and their respective employees, counsel, auditors and representatives access, during normal business hours, to such information and assistance relating to the Company and the Subsidiaries (to the extent within the control of such party) as is reasonably necessary for financial reporting and accounting matters.
- (b) Each party shall reimburse the other for reasonable out-of-pocket costs and expenses incurred in assisting the other pursuant to this Section 5.9. Neither party shall be required by this Section 5.9 to take any action that would unreasonably interfere with the conduct of its business or unreasonably disrupt its normal operations (or, in the case of Parent, those of the Company or any of the Subsidiaries). Any information relating to the Company and the Subsidiaries received by Seller pursuant to this Section 5.9 shall be subject to Section 5.4(b).
- (c) Seller and Seller's Stockholder Representative shall use its best efforts to terminate the domiciliation arrangements listed in Schedule 3.8 in relation to the 43 rue La Fayette address of JCF Group SAS as soon as possible, and in any event prior to October 31, 2004.

5.10 Publicity

No public release or announcement concerning the transactions contemplated hereby shall be issued by any party without the prior consent of the other party (which consent shall not be unreasonably withheld, conditioned or delayed), except as such release or announcement may be required by law or the rules or regulations of any United States or foreign securities exchange, in which case the party required to make the release or announcement shall allow the other party reasonable time to comment on such release or announcement in advance of such issuance; provided, however, that each of the Company and Parent may make internal announcements to their respective employees that are consistent with the parties' prior public disclosures regarding the transactions contemplated hereby after reasonable prior notice to and consultation with the other.

5.11 Records

On the Closing Date or as soon as reasonably practicable thereafter, Seller shall deliver or cause to be delivered to Parent upon request of Parent all material original agreements, documents, books, records and files, including records and files stored on computer disks or tapes or any other storage medium (collectively, **Records**), if any, in the possession of Seller relating to the business and operations of the Company and the Subsidiaries.

5.12 Agreement Not To Compete

- (a) Seller's Stockholder Representative and Seller understand that Purchaser and Parent shall be entitled to protect and preserve the going concern value of the business of the Company and each Subsidiary to the extent permitted by law and that Purchaser and Parent would not have entered into this Agreement absent the provisions of this Section 5.12 and, therefore, for a period of [Redacted] years after the Closing, Seller's Stockholder Representative and Seller shall not, and shall cause each of his or its affiliates not to, directly or indirectly:
- (i) engage in activities or businesses, or establish any new businesses, within the jurisdictions in which the Company and the Subsidiaries operate on the date hereof that are substantially in competition with the Company or any Subsidiary (**Competitive Activities**), including:
 - (A) selling goods or services of the type sold by the Company or any Subsidiary at or prior to Closing; and
 - (B) assisting any person in any way to do, or attempt to do, anything prohibited by subclause (A) above; and
 - (ii) perform any action, activity or course of conduct that is substantially detrimental to the business of the Company and the Subsidiaries (other than the sale of goods or services of a type that were not sold by the Company or any Subsidiary prior to the Closing) or business reputation, including:
 - (A) soliciting, or recruiting or hiring any employee of the Company or any Subsidiary or any person who has worked for the Company or any Subsidiary on or before the date hereof;
 - (B) soliciting or encouraging any employee of the Company or any Subsidiary to leave the employment of the Company or such Subsidiary; and
 - (C) disclosing or furnishing to anyone any confidential information relating to the Company or any Subsidiary or otherwise using such confidential information for its own benefit or the benefit of any other person.

Nothing contained in Section 5.12(a)(ii) shall prohibit Seller or Seller's Stockholder Representative from hiring any person who responds to newspaper advertisements or other general solicitations.

Table of Contents

- (b) Section 5.12(a) shall be deemed not breached as a result of the ownership by Seller's Stockholder Representative or Seller of:
 - (i) less than an aggregate of 5% of any class of stock of a person engaged, directly or indirectly, in Competitive Activities;
 - (ii) less than 5% in value of any instrument of indebtedness of a person engaged, directly or indirectly, in Competitive Activities; or
 - (iii) a person that engages, directly or indirectly, in Competitive Activities if such Competitive Activities account for less than 10% of such person's consolidated annual revenues.
- (c) Notwithstanding any other provision of this Agreement, it is understood and agreed that the remedy of indemnity payments pursuant to Section 8 and other remedies at law would be inadequate in the case of any breach of the covenants contained in Section 5.12(a). Purchaser and Parent shall be entitled to equitable relief, including the remedy of specific performance, with respect to any breach or attempted breach of such covenants.

5.13 Certain Licenses and Permits

Seller agrees that all Permits that are held in the name of any employee, officer, director, stockholder, agent or otherwise on behalf of the Company or a Subsidiary shall be duly and validly transferred to the Company or a Subsidiary without consideration prior to the Closing and that the warranties, representations, covenants and conditions contained in this Agreement shall apply to the same as if held by the Company or a Subsidiary as of the date of this Agreement.

5.14 Further Assurances

- (a) From time to time, as and when requested by any party to this Agreement, each party to this Agreement shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions (subject to Section 5.5, as such other party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement, including, in the case of Seller, executing and delivering to Parent such assignments, deeds, bills of sale, consents and other instruments as Parent or its counsel may request as necessary or desirable for such purpose.
- (b) Each party to this Agreement shall comply with its obligations under the Escrow Agreement.

5.15 Insurance

- (a) Pending the Closing Date Seller shall:
 - (i) not cancel or permit any contract of insurance under which the Company or any Subsidiary is insured to lapse without renewing or replacing such policy on terms agreed with the Parent, or do anything or permit the Company or any Subsidiary to do anything that would render any notified claim to become irrecoverable or render any such policy void or voidable; and

Table of Contents

- (ii) notify any notifiable claim in an amount of €25,000 or more per occurrence related to the Company or any Subsidiary under any such policy of insurance and procure that any insurance claim recoveries relating to the Company or any Subsidiary in respect of claims notified prior to the Closing Date are promptly paid (as appropriate) to the Company and the Subsidiaries on receipt (whether received before or after the Closing Date).
- (b) Seller shall procure that after the Closing Date, the Company, the Subsidiaries, Purchaser and Parent shall retain the right to claim under any liability insurance contract under which they (or their predecessors in business) were insured prior to the Closing Date in respect of actual and contingent liabilities incurred by the Company and the Subsidiaries before Closing. For the avoidance of doubt it is agreed that this continuing right: (i) extends to matters that have not been notified to insurers prior to the Closing Date; and (ii) is subject to the terms and conditions and limits of the policy concerned.
- (c) Purchaser, Parent, the Company and the Subsidiaries shall be entitled to deal directly with the insurers and Seller's insurance brokers in relation to any actual or potential claim (including claims made before and after the Closing Date) made by it or on its behalf under contracts of insurance in existence at or before the Closing Date, and to receive direct payment of any monies payable to it under such policies. Purchaser or Parent shall inform Seller promptly of any claim notified by the Company and the Subsidiaries under any such policy after the Closing Date, and (on written request and subject to such terms as to confidentiality as Purchaser or Parent may reasonably require) of the amount of any settlement agreed with insurers or of the fact that litigation or arbitration proceedings have been initiated against or by insurers in respect of such claim.
- (d) Seller will promptly provide to Purchaser, Parent and the Company and the Subsidiaries on request (and at Purchaser's expense) such information, documents and assistance as they may reasonably require in order to determine and exercise their rights under subclauses (b) and (c) above.
- (e) Seller undertakes to do nothing after the Closing Date that would cause the terms of any insurance contract under which the Company and the Subsidiaries may have continuing rights to be altered without Purchaser's prior written consent, nor to do anything that would render any such policy, or any claim by the Company and the Subsidiaries under it, void or voidable.

6. CONDITIONS PRECEDENT

6.1 Conditions to Each Party's Obligation

The obligation of the Purchaser to purchase and pay for the Shares and the obligation of Seller to sell the Shares to the Purchaser is subject to the satisfaction (or waiver) on or prior to the Closing Date of the following conditions:

- (a) **Government Approvals.** All authorizations, consents, orders or approvals of, or declarations or filings with, or expirations of waiting periods imposed by, any Government Entity required for the consummation of the Acquisition shall have been obtained or filed or shall have occurred.

[Table of Contents](#)

- (b) **No Injunctions or Restraints.** No Applicable Law or injunction enacted, entered, promulgated, enforced or issued by any Government Entity or other legal restraint or prohibition preventing the consummation of the Acquisition shall be in effect.
- (c) **Assignment of Intellectual Property Rights held by MKY.** MKY Financial Software Limited and Purchaser shall have entered into an agreement substantially in the form of Exhibit 5 attached hereto, effecting the transfer to Purchaser of all intellectual property rights held by MKY Financial Software Limited in connection with JCF Quant, JCF Partners or any other product or application used or sold by the Company or any of its Subsidiaries in exchange for [Redacted].

6.2 Conditions to Obligation of the Purchaser

The obligation of the Purchaser to purchase and pay for the Shares is subject to the satisfaction (or waiver) on or prior to the Closing Date of the following conditions:

- (a) **Representations and Warranties.** The representations and warranties of Seller and Seller's Stockholder Representative in this Agreement and the Ancillary Agreements that are qualified as to materiality or Material Adverse Effect shall be true and correct, and those not so qualified shall be true and correct in all material respects, as of the date hereof and as of the Closing Date as though made as of such time, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties qualified as to materiality or Material Adverse Effect shall be true and correct, and those not so qualified shall be true and correct in all material respects, on and as of such earlier date), in each case except for breaches as to matters that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. Parent shall have received a certificate signed by an authorized officer of Seller and by Seller's Stockholder Representative to such effect.
- (b) **Performance of Obligations of Seller.** Seller and Seller's Stockholder Representative shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Seller or Seller's Stockholder Representative by the time of the Closing, and Parent shall have received a certificate signed by an authorized officer of Seller and by Seller's Stockholder Representative to such effect.
- (c) **Absence of Proceedings.** There shall not be pending or threatened by any Government Entity any Proceeding:
 - (i) challenging or seeking to restrain or prohibit the Acquisition or any other transaction contemplated by this Agreement or the Ancillary Agreements or seeking to obtain from any Purchaser Party in connection with the Acquisition any damages that are material in relation to such Purchaser Party, its subsidiaries the Company or any Subsidiary taken as a whole;
 - (ii) seeking to prohibit or limit the ownership or operation by any Purchaser Party of any portion of the business or assets of such Purchaser Party, its subsidiaries, or the Company or any Subsidiary, or to compel any Purchaser Party, its subsidiaries or the Company or any Subsidiary to dispose of or hold separate any portion of the business or assets of such Purchaser Party, its subsidiaries, or the Company or any Subsidiary, in each case as a result of the Acquisition or any of the other transactions contemplated by this Agreement;

[Table of Contents](#)

- (iii) seeking to impose limitations on the ability of any Purchaser Party to acquire or hold, or exercise full rights of ownership of, the Shares, including the right to vote the Shares on all matters properly presented to the stockholders of the Company; or
- (iv) seeking to prohibit any Purchaser Party or any of its subsidiaries from effectively controlling in any respect the business or operations of the Company or any Subsidiary;

provided, however, that this condition shall be deemed to be waived as to any suit, action or proceeding (except for any suit, action or proceeding by any Government Entity) if Seller provides to such Purchaser Party indemnification in form and substance reasonably satisfactory to Parent and its counsel with respect to any such suit, action or proceeding.

- (d) **Reacquisition of Minority Interests.** Seller shall have furnished to Parent such documentation as shall be reasonably acceptable to Parent evidencing the acquisition by Seller of the minority interests in JCF Group SAS.

[Redacted]

- (h) **JCF Estimates Database.** Seller shall have furnished in reasonable detail a technical description of the JCF estimates database that is reasonably satisfactory to Parent (and Parent shall not unreasonably withhold or delay its indication of its satisfaction with such description).

Table of Contents

- (i) **Repayment of Loans.** Any loan made to Seller or any employee of any of the Company and the Subsidiaries shall have been repaid in full in cash to Parent except for expense account advances made in the ordinary course of business prior to the incurrence of the related expenses.
- (j) **Employment Agreements.** Each of the Key Employees shall have entered into an Employment Agreement as of Closing substantially in the form of Exhibit 2.
- (k) **Management Fee Plan.** Seller shall have furnished to Parent documentation reasonably satisfactory to Parent evidencing the termination of the Management Fee Plan (and confirming that no amounts will be payable by Purchaser or Parent with respect thereto).
- (l) **Asset Management Business.** Seller shall have furnished to Parent documentation reasonably satisfactory to Parent with respect to the exclusion of the Asset Management Business from the Acquisition, and Parent shall be satisfied that the Acquisition will not result in the assumption of any liabilities related thereto and that the excluded assets do not include any assets used in the businesses of the Company and the Subsidiaries. Seller shall have furnished to Parent documentation reasonably satisfactory to Parent showing that all Contracts of the Company and any Subsidiary relating to the Asset Management Business have been terminated.
- (m) **Consulting Agreement with MKB Consult.** Seller shall have furnished to Parent documentation reasonably satisfactory to Parent evidencing that all existing contractual arrangements between MKB Consult and JCF Group SAS, including the agreement dated November 1, 2000, shall have been terminated and all amounts owing related thereto shall have been paid by Seller.
- (n) **Accounts, Safe Deposit Boxes, Powers of Attorney; Officers and Directors.** Seller shall have furnished to Parent (i) a true and correct list of all bank and savings accounts, certificates of deposit and safe deposit boxes of the Company and each Subsidiary and those persons authorized to sign thereon, (ii) true and correct copies of all corporate borrowing, depository and transfer resolutions and those persons entitled to act thereunder, (iii) a true and correct list of all powers of attorney granted by the Company and each Subsidiary and those persons authorized to act thereunder and (iv) a true and correct list of all officers and directors of the Company and each Subsidiary.
- (o) **Minute Books.** Seller shall have certified to Parent that the minute books of the Company and each Subsidiary contain complete and accurate records in all material respects of all meetings and other corporate actions of their respective stockholders and boards of directors and committees thereof and Parent shall be satisfied therewith.
- (p) **Deeds of Transfer.** Seller shall have furnished to Parent evidence reasonably satisfactory to Parent with respect to the Deeds of Transfer and related notarial documentation for the transfers of all Shares to Seller (other than Shares held by Seller since incorporation).
- (q) **Other Documents.** Seller shall have furnished to Parent such other documents relating to corporate existence and authority, absence of Liens, and such other matters as Parent or its counsel may reasonably request.

6.3 Conditions to Obligation of Seller

The obligation of Seller to sell the Shares is subject to the satisfaction (or waiver) on or prior to the Closing Date of the following conditions:

- (a) **Representations and Warranties.** The representations and warranties of the Purchaser and Parent made in this Agreement and the Ancillary Agreements that are qualified as to materiality or Purchaser Material Adverse Effect shall be true and correct, and those not so qualified shall be true and correct in all material respects, as of the date hereof and as of the Closing Date as though made as on the Closing Date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties qualified as to materiality or Purchaser Material Adverse Effect shall be true and correct, and those not so qualified shall be true and correct in all material respects, on and as of such earlier date), in each case except for breaches as to matters that, individually or in the aggregate, could not reasonably be expected to have a Purchaser Material Adverse Effect. Seller shall have received a certificate signed by an authorized officer of Parent to such effect.
- (b) **Performance of Obligations of Purchaser.** Each Purchaser Party shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by such Purchaser Party by the time of the Closing, and Seller shall have received a certificate signed by an authorized officer of Parent to such effect.
- (c) **Absence of Proceedings.** There shall not be pending or threatened any Proceeding challenging or seeking to restrain or prohibit the Acquisition or any other transaction contemplated by this Agreement or the Ancillary Agreements or seeking to obtain from Seller in connection with the Acquisition any damages that are material in relation to Seller.

6.4 Frustration of Closing Conditions

No party may rely on the failure of any condition set forth in this Section 6 to be satisfied if such failure was caused by such party's failure to act in good faith or to use its commercially reasonable efforts to cause the Closing to occur, as required by Section 5.5.

7. TERMINATION, AMENDMENT AND WAIVER

7.1 Termination

- (a) Notwithstanding anything to the contrary in this Agreement, this Agreement may be terminated and the Acquisition and the other transactions contemplated hereby abandoned at any time prior to the Closing:
 - (i) by mutual written consent of the parties;
 - (ii) by Seller if any of the conditions set forth in Sections 6.1 or 6.3 shall have become incapable of fulfillment, and shall not have been waived by Seller;

Table of Contents

- (iii) by Parent if any of the conditions set forth in Sections 6.1 or 6.2 shall have become incapable of fulfillment and shall not have been waived by Parent;
- (iv) by Seller or Parent, if the Closing does not occur on or prior to September 7, 2004; or
- (v) by either Parent or Seller in the event that any Government Entity shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable;

provided, however, that the party seeking termination pursuant to subclause (ii), (iii), (iv) or (v) is not then in material breach of any of its representations, warranties, covenants or agreements contained in this Agreement.

- (b) In the event of termination by Seller or Parent pursuant to this Section 7.1, written notice thereof shall forthwith be given to the other party and the transactions contemplated by this Agreement shall be terminated, without further action by any party. If the transactions contemplated by this Agreement are terminated as provided herein:
 - (i) Parent shall return all documents and other materials received from Seller, the Company or any Subsidiary relating to the Acquisition, whether so obtained before or after the execution of this Agreement, to Seller; and
 - (ii) all confidential information received by Parent with respect to the business of the Company and the Subsidiaries shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect notwithstanding the termination of this Agreement; and
 - (iii) the Escrow Agreement, any Employment Agreement and any other Ancillary Agreement entered into in connection with this Agreement shall be null and void and of no further force and effect.

7.2 Effect of Termination

If this Agreement is terminated and the transactions contemplated hereby are abandoned as described in Section 7.1, this Agreement shall become null and void and of no further force and effect, except for the provisions of:

- (i) Section 5.6 relating to certain expenses;
- (ii) Section 2.3 and Section 4.6 relating to finder's fees and broker's fees;
- (iii) Section 7.1 and this Section 7.2; and
- (iv) Section 5.10 relating to publicity.

Nothing in this Section 7.2 shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement or to impair the right of any party to compel specific performance by any other party of its obligations under this Agreement.

7.3 Amendments and Waivers

This Agreement may only be amended by an instrument in writing signed on behalf of each of the parties hereto. By an instrument in writing, Parent, on the one hand, or Seller and Seller's Stockholder Representative, on the other hand, may waive compliance by the other with any term or provision of this Agreement that such other party was or is obligated to comply with or perform.

8. INDEMNIFICATION

8.1 Tax Indemnification

- (a) From and after the Closing, Seller and Seller's Stockholder Representative shall be liable for, and shall jointly and severally indemnify Parent, Purchaser, its affiliates (including the Company and the Subsidiaries) and each of their respective officers, directors, employees, stockholders, agents and representatives (**Purchaser Indemnitees**) against and hold them harmless from (i) any excess of (x) the liability for Taxes of the Company and the Subsidiaries over (y) charges, accruals, and reserves for Taxes reflected on the Financial Statements and the Statement for the Pre-Closing Tax Period, (ii) all liability (as a result of Treasury Regulation §1.1502-6(a) or otherwise) for Taxes of Seller or any other corporation that is or has been affiliated with Seller (other than the Company or any Subsidiaries), (iii) all liability for reasonable legal fees and expenses for any item attributable to any item in subclause (i) or (ii) above; and (iv) all reasonable fees and expenses incurred by Parent in connection with the preparation and filing of any Tax Return for Pre-Closing Tax Periods that Parent is required to file pursuant to Section 5.7(a) and Section 5.7(e).
- (b) From and after the Closing, Parent and the Company, jointly and severally, shall indemnify Seller against and hold Seller harmless from (i) all liability for Taxes of the Company and the Subsidiaries relating to the Post-Closing Tax Period and (ii) all liability for reasonable legal fees and expenses attributable to any item in subclause (i) above.
- (c) Any indemnity payment to be made under this Section 8.1 shall be paid within 10 Business Days after the indemnified party makes written demand upon the indemnifying party, but in no case earlier than five business days prior to the date on which the relevant Taxes are required to be paid to the relevant Taxing Authority (including as estimated Tax payments).

8.2 Other Indemnification by Seller and Seller's Stockholder Representative

- (a) Seller and Seller's Stockholder Representative shall be liable for, and shall jointly and severally indemnify each Purchaser Indemnitee against and hold it harmless from, any loss, liability, claim, damage or expense including reasonable legal fees and expenses (collectively, **Losses**), suffered or incurred by such Purchaser Indemnitee (other than any Loss relating to Taxes, for which indemnification provisions are set forth in Section 8.1) arising from, relating to or otherwise in respect of:
 - (i) any breach of any representation or warranty of Seller or Seller's Stockholder Representative that survives the Closing contained in this Agreement, in any Ancillary Agreement or in any certificate delivered pursuant hereto (it being agreed and acknowledged by the parties that for purposes of right to indemnification pursuant to this subclause (i) the representations and warranties of Seller or Seller's Stockholder

[Table of Contents](#)

Representative contained herein shall not be deemed qualified by any references herein to materiality generally or to whether or not any such breach results or may result in a Material Adverse Effect); and

- (ii) any breach of any covenant of Seller or Seller's Stockholder Representative contained in this Agreement; and any fees, expenses or other payments incurred or owed by Seller or Seller's Stockholder Representative to any brokers, financial advisors or comparable other persons retained or employed by it in connection with the transactions contemplated by this Agreement.

[Redacted]

8.3 Purchaser Indemnification

- (a) Subject to Section 8.1(b), Parent and Purchaser shall jointly and severally indemnify Seller and Seller's Stockholder Representative against and hold him or it harmless from any Loss suffered or incurred by Seller or, with respect to Section 8.3(a)(ii), Seller's Stockholder Representative (provided, however, that in no event shall there be liability to both Seller and Seller's Stockholder Representative arising out of the same event or state of facts) to the extent arising from:
 - (i) any breach of any representation or warranty of any Purchaser Party that survives the Closing contained in this Agreement or in any Ancillary Agreement or in any document delivered in connection herewith;
 - (ii) any breach of any covenant of any Purchaser Party contained in this Agreement requiring performance after the Closing Date; and
 - (iii) any guarantee or obligation to assure performance given or made by Seller or any affiliate of Seller with respect to any obligation of the Company or any Subsidiary disclosed in writing to Parent in the Schedules attached to this Agreement.

8.4 Calculation of Losses; Satisfaction from Escrowed Funds

- (a) The amount of any Loss or Tax liability for which indemnification is provided under this Section 8 shall be net of any amounts actually recovered by the indemnified party under insurance policies with respect to such Loss and shall be increased to take account of any net Tax cost incurred by the indemnified party arising from the receipt of indemnity payments hereunder

[Table of Contents](#)

(grossed up for such increase). The amount of any such Tax cost shall be calculated without regard to any loss, allowance, credit, relief, deduction or set-off or any right to a repayment of Taxation. Any indemnity payment under this Agreement shall be treated as an adjustment to the Purchase Price for Tax purposes, unless a final determination (which shall include the execution of a Form 870-AD or successor form) with respect to the indemnified party or any of its affiliates causes any such payment not to be treated as an adjustment to the Purchase Price for Tax purposes.

- (b) The amount of any Loss for which any Purchaser Indemnitee is entitled to receive indemnification from Seller and Seller's Stockholder Representative pursuant to Section 8.1(a) and Section 8.2(a) shall first be satisfied from any available Escrowed Funds prior to any claim being enforced against any other assets of Seller or Seller's Stockholder Representative. For the avoidance of doubt, nothing contained in the preceding sentence shall limit the ability of any Purchaser Indemnitee to seek indemnification or enforcement of any legal or equitable claim any of them may have directly against Seller or Seller's Stockholder Representative if the Escrowed Funds are, or are believed to be, insufficient to compensate any of them for any such Loss or if the Escrowed Funds have been released.

8.5 Termination of Indemnification

The obligations to indemnify and hold harmless any party (i) pursuant to Section 8.1, shall terminate six months after the last date on which the relevant taxing authority may seek to recover any Taxes referred to in Section 8.1, (ii) pursuant to Section 8.2(a)(i) or 8.3(a)(i), shall terminate [Redacted] and (iii) pursuant to the other subclauses of Sections 8.2 and 8.3 shall not terminate; provided, however, that any such obligations to indemnify and hold harmless that would otherwise terminate shall not terminate with respect to any item as to which the person to be indemnified shall have, before the expiration of the applicable period, previously made a claim by delivering a notice of such claim (stating in reasonable detail the basis of such claim) pursuant to Section 8.6 to the party to be providing the indemnification.

8.6 Procedures

- (a) Third Party Claims

In order for a person (the **indemnified party**) to be entitled to any indemnification provided for under Section 8.2 or 8.3 in respect of, arising out of or involving a claim made by any person against the indemnified party (a **Third Party Claim**), such indemnified party must notify the indemnifying party in writing (and in reasonable detail) of the Third Party Claim within 10 Business Days after receipt by such indemnified party of written notice of the Third Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the indemnifying party shall have been actually and materially prejudiced as a result of such failure (except that the indemnifying party shall not be liable for any expenses incurred during the period in which the indemnified party failed to give such notice). Thereafter, the indemnified party shall deliver to the indemnifying party, within five Business Days' time after the indemnified party's receipt thereof, copies of all notices and documents (including court papers) received by the indemnified party relating to the Third Party Claim.

(b) Assumption

If a Third Party Claim is made against an indemnified party, the indemnifying party shall be entitled to participate in the defense thereof and, if it so chooses, to assume the defense thereof with counsel selected by the indemnifying party; provided, however, that such counsel is not reasonably objected to by the indemnified party. Should the indemnifying party so elect to assume the defense of a Third Party Claim, the indemnifying party shall not be liable to the indemnified party for any legal expenses subsequently incurred by the indemnified party in connection with the defense thereof. If the indemnifying party assumes such defense, the indemnified party shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the indemnifying party, it being understood that the indemnifying party shall control such defense. The indemnifying party shall be liable for the fees and expenses of counsel employed by the indemnified party for any period during which the indemnifying party has not assumed the defense thereof (other than during any period in which the indemnified party shall have failed to give notice of the Third Party Claim as provided above).

If the indemnifying party chooses to defend or prosecute a Third Party Claim, all the indemnified parties shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the indemnifying party's request) the provision to the indemnifying party of records and information that are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the indemnifying party assumes the defense of a Third Party Claim, the indemnified party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the indemnifying party's prior written consent (which consent shall not be unreasonably withheld). If the indemnifying party assumes the defense of a Third Party Claim, the indemnified party shall agree to any settlement, compromise or discharge of a Third Party Claim that the indemnifying party may recommend and that by its terms obligates the indemnifying party to pay the full amount of the liability in connection with such Third Party Claim, thereby releasing the indemnified party completely in connection with such Third Party Claim, unless the indemnified party would be adversely affected by such actions.

Notwithstanding the foregoing, the indemnifying party shall not be entitled to assume the defense of any Third Party Claim (and shall be liable for the reasonable fees and expenses of counsel incurred by the indemnified party in defending such Third Party Claim) if the Third Party Claim seeks an order, injunction or other equitable relief or relief for other than money damages against the indemnified party that the indemnified party reasonably determines, after conferring with its outside counsel, cannot be separated from any related claim for money damages. If such equitable relief or other relief portion of the Third Party Claim can be so separated from that for money damages, the indemnifying party shall be entitled to assume the defense of the portion relating to money damages. The indemnification required by Section 8.2 or 8.3 shall be made by periodic payments of the amount thereof during the course of the investigation or defense as and when bills are received or loss, liability, claim, damage or expense is incurred. All claims under Section 8.2 or 8.3 other than Third Party Claims shall be governed by Section 8.6(c). All Tax Claims (as defined in Section 8.6(d)) shall be governed by Section 8.6(d).

[Table of Contents](#)

(c) Other Claims

In the event any indemnified party should have a claim against any indemnifying party under Section 8.2 or 8.3 that does not involve a Third Party Claim being asserted against or sought to be collected from such indemnified party, the indemnified party shall deliver notice of such claim with reasonable promptness to the indemnifying party. Subject to Sections 8.5 and 8.7, the failure by any indemnified party so to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have to such indemnified party under Section 8.2 or 8.3, except to the extent that the indemnifying party demonstrates that it has been materially prejudiced by such failure. If the indemnifying party does not notify the indemnified party within 10 calendar days following its receipt of such notice that the indemnifying party disputes its liability to the indemnified party under Section 8.2 or 8.3, such claim specified by the indemnified party in such notice shall be conclusively deemed a liability of the indemnifying party under Section 8.2 or 8.3 and the indemnifying party shall pay the amount of such liability to the indemnified party on demand or, in the case of any notice in which the amount of the claim (or any portion thereof) is estimated, on such later date when the amount of such claim (or such portion thereof) becomes finally determined. If the indemnifying party has timely disputed its liability with respect to such claim, as provided below, the indemnifying party and the indemnified party shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved by litigation in an appropriate court of competent jurisdiction.

(d) Procedures Relating to Indemnification of Tax Claims

- (i) If a claim shall be made by any taxing authority, which, if successful, might result in an indemnity payment to any Purchaser Indemnitee pursuant to Section 8.1, Parent shall promptly notify Seller in writing of such claim (a **Tax Claim**) within 20 Business Days.
- (ii) Subject to Section 8.6(d)(iv), with respect to any Tax Claim relating to Taxes of the Company or any Subsidiary, Parent, the Company and/or any such Subsidiary shall control all proceedings taken in connection with such Tax Claim (including selection of counsel) and, without limiting the foregoing, may in its sole discretion pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any taxing authority with respect thereto, and may, in its sole discretion, either pay the Tax claimed and sue for a refund where Applicable Law permits such refund suits or contest the Tax Claim in any permissible manner. Seller may at its own cost and expense retain its own tax advisor or counsel to monitor or preserve its interest in any proceeding taken in connection with any Tax Claim relating to the Pre-Closing Tax Period.
- (iii) Parent and the Company shall cooperate with Seller to enable Seller to monitor any proceeding or to preserve its interest with respect to any Tax Claim relating to the Pre-Closing Tax Period, such cooperation shall include the retention and (upon Seller's request) the provision to Seller of records and information that are reasonably relevant to such Tax Claim, and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder or to testify at proceedings relating to such Tax Claim.
- (iv) In no case shall any Purchaser Indemnitee pay, settle or otherwise compromise any Tax Claim relating to a Pre-Closing Tax Period without the prior written consent of Seller (which shall not be unreasonably withheld). Neither party shall settle a Tax Claim

[Table of Contents](#)

relating solely to Taxes of the Company without the other party's prior written consent (which shall not be unreasonably withheld) to the extent any portion of the Tax Claim would not give rise to an indemnity obligation under this Section 8 on the part of the party seeking to settle the Tax Claim and the settlement of such Tax Claim would impact the Tax liability or Tax indemnity obligation of the other party.

(e) Mitigation

Parent and Seller and Seller's Stockholder Representative shall cooperate with each other with respect to resolving any claim or liability with respect to which one party is obligated to indemnify the other party hereunder, including by making commercially reasonable efforts to mitigate or resolve any such claim or liability; provided, however, that such party shall not be required to make such efforts if they would be detrimental in any material respect to such party. In the event that Parent or Seller or Seller's Stockholder Representative shall fail to make such commercially reasonable efforts to mitigate or resolve any claim or liability, then (unless the proviso to the foregoing sentence shall be applicable) notwithstanding anything else to the contrary contained herein, the other party shall not be required to indemnify any person for any Loss that could reasonably be expected to have been avoided.

(f) Sole Remedy

- (i) If the Closing occurs, the indemnification provisions of this Section 8 shall be the sole remedy for any breach of this Agreement (other than claims based on fraud or actions for specific performance and other than as provided in Section 5.12).
- (ii) The indemnification and other provisions of this Section 8 shall govern the procedure for all indemnification matters under this Agreement, except to the extent otherwise expressly provided herein.

[Redacted]

8.8 No Recourse against the Company or any Subsidiary

In no event shall Seller or Seller's Stockholder Representative be entitled to make any claim against the Company or any Subsidiary for contribution, indemnification or subrogation in connection with any matter with respect to which Seller or Seller's Stockholder Representative shall have an indemnification obligation under this Section 8.

9. GENERAL PROVISIONS

9.1 Assignment

This Agreement and the rights and obligations hereunder shall not be assignable or transferable by any party to this Agreement (including by operation of law in connection with a merger, a sale of substantially all of the assets, or consolidation of such party) without the prior written consent of the parties. Notwithstanding the foregoing:

- (i) Purchaser may assign its right to purchase the Shares to a subsidiary or an affiliate of Parent without the prior written consent of any other party; and
- (ii) Purchaser may assign its rights hereunder by way of security and such secured party may assign such rights by way of exercise of remedies; provided, however, that no assignment shall limit or affect the assignor's obligations hereunder. Any attempted assignment in violation of this Section 9.1 shall be void.

9.2 No Third-Party Beneficiaries

Except (if the Closing occurs) as provided in Section 8 and this Section 9, this Agreement is for the sole benefit of the parties hereto and their permitted assigns, and nothing herein, expressed or implied, shall give or be construed to give to any person, other than the parties hereto and such assigns, any legal or equitable rights, benefits or remedies of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Agreement.

9.3 Expenses

Except as otherwise specified in this Agreement or the Escrow Agreement, all costs and expenses, including fees of and disbursements for counsel, financial advisors and accountants, incurred in connection with this Agreement or the Escrow Agreement and the transactions contemplated by this Agreement and the Escrow Agreement shall be paid by the party to this Agreement incurring such costs and expenses, whether or not the Closing shall have occurred. In no event shall the Company or any Subsidiary be responsible for Seller's transaction expenses.

For the avoidance of doubt, a party in breach of this Agreement shall, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement. The payment of such expenses is in addition to any other relief to which such other party may be entitled.

9.4 Notices

All notices, requests, claims, demands and other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent by facsimile or sent, postage prepaid, return receipt requested, by registered, certified or express mail or overnight courier service and shall be deemed given when so delivered by hand or facsimile, or if mailed, three days after mailing (one Business Day in the case of express mail or overnight courier service), to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 9.4):

- (i) if to Purchaser or Parent,

prior to August 15, 2004

FactSet Research Systems Inc.
One Greenwich Plaza
Greenwich, Connecticut 06830-6352
Fax: (203) 552-4813
Attention: Rachel Stern

after August 15, 2004

FactSet Research Systems Inc.
601 Merritt 7
Norwalk, Connecticut 06851
Attention: Rachel Stern

with a copy to:

Allen & Overy LLP
1221 Avenue of the Americas
New York, NY 10020
Fax: (212) 610-6399
Attention: Eric S. Shube

- (ii) if to Seller or Seller's Stockholder Representative,

JCF Group
c/o JCF International Limited
21 Curtain Road
London, EC2A 3LW
ENGLAND
Fax:
Attention: Jacques Chahine

with a copy to:

Mintz Levin Cohn Ferris Glovsky and Popeo PC
666 Third Avenue
New York, NY 10017
Fax: (212) 983-3115
Attention: Michael B. Barry

9.5 Interpretation; Exhibits and Schedules; Certain Definitions

- (a) The headings contained in this Agreement, in any Exhibits or Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in

[Table of Contents](#)

full herein. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning as defined in this Agreement. When a reference is made in this Agreement to an Article, Section, Clause, Exhibit or Schedule, such reference shall be to an Article, Section or Clause of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. Wherever the words “include,” “includes” or “including” are used in this Agreement, they are deemed to be followed by the words “without limitation.” The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

(b) For all purposes hereof:

affiliate of any person means another person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such first person.

Material Adverse Effect means a material adverse effect:

- (i) on the business, assets, condition (financial or otherwise) or results of operations of the Company and the Subsidiaries, taken as a whole; provided, however, that in determining whether a Material Adverse Effect has occurred, any change or effect, to the extent it is attributable to (A) any change in general economic conditions (i) in the estimates database industry or (ii) the United States and EU economies including, but not limited to, any acts of terrorism or any outbreak of hostilities or war, provided that the Company and the Subsidiaries are not disproportionately affected thereby, (B) matters generally affecting companies in the same or similar industries to the industries in which the Company and the Subsidiaries operate, or (C) the public announcement of this Agreement, shall not be considered in determining whether a Material Adverse Effect has occurred;
- (ii) on the ability of Seller and Seller’s Stockholder Representative to perform its obligations under this Agreement and the Ancillary Agreements; or
- (iii) on the ability of Seller and Seller’s Stockholder Representative to consummate the Acquisition and the other transactions contemplated hereby in accordance with the terms hereof and without material delay.

person means any individual, firm, corporation, partnership, limited liability company, association, trust, joint venture, unincorporated organization, syndicate, group, Government Entity or other entity that would be deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

Seller’s Knowledge means the actual knowledge of any of the Key Employees, and the knowledge that any such Key Employee would have had had such Key Employee made a reasonable inquiry of the officers of the Company and the Subsidiaries who have responsibility for the relevant matter.

subsidiary of any person means another person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its Board of Directors or other governing body (or, if there are no such voting interests, 50 percent or more of the equity interests of which) is owned directly or indirectly by such first person or by another subsidiary of such first person.

9.6 Counterparts

This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts and by the different parties hereto in separate counterparts, all of which shall be deemed one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other parties.

9.7 Entire Agreement

This Agreement, the Ancillary Agreements and the Confidentiality Agreement, along with the Schedules and Exhibits thereto, contain the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, both written and oral, between the parties relating to the subject matter hereof and thereof. None of the parties shall be liable or bound to any other party in any manner by any representations, warranties or covenants relating to such subject matter except as specifically set forth herein or in the Ancillary Agreements or the Confidentiality Agreement.

9.8 Severability

If any provision of this Agreement (or any portion thereof) or the application of any such provision (or any portion thereof) to any person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof (or the remaining portion thereof) or the application of such provision to any other person or circumstances.

9.9 Consent to Jurisdiction

Each party irrevocably and unconditionally submits to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement, any Ancillary Agreement or any transaction contemplated hereby or thereby. Each party to this Agreement hereby waives formal service of process and agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth above shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Section 9.9. Each party to this Agreement irrevocably and unconditionally waives, pursuant to the provisions of Section 5-1402 of the New York General Obligations Law, any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement, any Ancillary Agreement or the transactions contemplated hereby and thereby in (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, and hereby and thereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

9.10 Governing Law

This Agreement (and any claims or disputes arising out of or related thereto or to the transactions contemplated thereby or to the inducement of any party to enter therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall in all respects be governed by and construed in accordance with the laws of the

[Table of Contents](#)

State of New York, including all matters of construction, validity and performance, in each case without reference to any conflict of law rules that might lead to the application of the laws of any other jurisdiction. Each party to this Agreement further agrees that the laws of the State of New York bear a reasonable relationship to this Agreement and irrevocably and unconditionally waives, pursuant to Section 5-1401 of the New York General Obligations Law, any objection to the application of the laws of the State of New York to any action, suit or proceeding arising out of this Agreement, any Ancillary Agreement or the transactions contemplated hereby and thereby and further irrevocably and unconditionally waives and agrees not to plead or claim that any such action, suit or proceeding should not be governed by the laws of the State of New York. This Agreement has been negotiated, executed and delivered in the State of New York.

9.11 Waiver of Jury Trial

EACH PARTY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) DIRECTLY OR INDIRECTLY RELATING TO ANY DISPUTE ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY. Each party (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Agreement and the Ancillary Agreements, as applicable, by, among other things, the mutual waivers and certifications in this Section 9.11.

9.12 Guaranty

Parent hereby guarantees the obligations of Purchaser (and any assignee under Section 9.1(i)) under this Agreement.

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

FACTSET RESEARCH SYSTEMS INC.

by

/s/ Philip A. Hadley

Name: Philip A. Hadley
Title: Chief Executive Officer

FACTSET EUROPE S.ÀR.L.

by

/s/ Philip A. Hadley

Name: Philip A. Hadley
Title: Chief Executive Officer, FactSet Limited

JACQUES CHAHINE

/s/ Jacques Chahine

DECISION DATA LUXEMBOURG S. A.

by

/s/ C. Blondeau

Name: C. Blondeau
Title: Director

EXHIBIT 1 ESCROW AGREEMENT

ESCROW AGREEMENT dated as of September [•], 2004

AMONG:

- (1) **FACTSET RESEARCH SYSTEMS INC.**, a Delaware corporation (**Parent**);
- (2) **FACTSET EUROPE S.À.R.L.**, a private limited liability company organized under the laws of Luxembourg and an indirect wholly owned subsidiary of Parent (**Purchaser**);
- (3) **DECISION DATA LUXEMBOURG S.A.**, a limited liability company organized under the laws of Luxembourg (**Seller**);
- (4) **JACQUES CHAHINE** (**Seller's Stockholder Representative**); and
- (5) **JPMORGAN CHASE BANK**, a bank organized under the laws of the State of New York (**Escrow Agent**).

Seller, Seller's Stockholder Representative, Purchaser and Parent have entered into a stock purchase agreement dated June 29, 2004 (the **Purchase Agreement**), pursuant to which Purchaser has agreed to purchase and Seller has agreed to sell all the issued and outstanding capital stock of Decision Data System B.V., a limited liability company organized under the laws of the Netherlands (the **Company**). In accordance with Section 1.3(a)(iv) of the Purchase Agreement, Parent is depositing with Escrow Agent € 4,200,000 in immediately available funds (as increased by any earnings thereon and as reduced by any disbursements or losses on investments) (the **Escrowed Funds**) to be held and disposed of as herein provided. Capitalized terms used but not otherwise defined herein shall have the respective meanings given them in the Purchase Agreement. All funds in euro will be held by JPMorgan Chase Bank, London Branch.

The parties, intending to be legally bound, hereby agree as follows:

1. Deposit of Escrowed Funds

- (a) Parent is depositing with Escrow Agent the Escrowed Funds. Escrow Agent acknowledges receipt thereof.
- (b) Escrow Agent hereby agrees to act as escrow agent and to hold, safeguard and disburse the Escrowed Funds pursuant to the terms and conditions hereof.

2. Investment of Escrowed Funds

The Escrowed Funds shall be deposited and maintained in an interest-bearing deposit demand account with Escrow Agent, until disbursement of all the Escrowed Funds. The interest bearing account bears interest at the JPMorgan Overnight bid rate for deposits in euro. Escrow Agent is authorized to liquidate in accordance with its customary procedures any portion of the Escrowed Funds consisting of investments to provide for payments required to be made under this Agreement.

3. Disposition of Escrowed Funds

- (a) If an amount is payable to Parent pursuant to Section 1.4(c) of the Purchase Agreement, Parent and Seller shall jointly give notice to Escrow Agent stating that the Adjusted Cash Consideration has been determined in accordance with Section 1.4 of the Purchase Agreement and specifying the euro amount payable to Parent. Immediately following the receipt of such notice, Escrow Agent shall pay to Parent the euro amount so specified from the Escrowed Funds, up to a maximum amount of [Redacted].
- (b) From time to time on or before the [Redacted] anniversary of the Closing Date (it being understood and agreed that, in accordance with Section 6 hereof and Section 8.5 of the Purchase Agreement, further clarifications may be made after such [Redacted] anniversary with respect to matters as to which notice of a Claim or prospective Claim has been made on or before such date), Parent may give notice (a **Notice**) to Seller and Escrow Agent specifying in reasonable detail the nature and euro amount of any claim (a **Claim**) that any Purchaser Indemnitee may have (x) under Section 8.1(a) or Section 8.2 of the Purchase Agreement, or (y) as a result of the occurrence of any of the following (which Seller hereby indemnifies each Purchaser Indemnitee against as fully as if such matters were set forth in Section 8.2 of the Purchase Agreement):
- (i) any recharacterization as salary of damages paid to Mr. Soumillard pursuant to the Settlement Agreement between him and JCF Group SAS;
 - (ii) any recharacterization as salary of fees paid to certain employees pursuant to the JCF Group Management Fee Plan;
 - (iii) any obligation of the Company or any of the Subsidiaries at any time to withhold or account for any Taxes (in any jurisdiction) under Pay As You Earn or otherwise, together with any and all interest, penalties, additions to tax and additional amounts imposed (for example by reason of the grossing up of any payments made or of payments that ought to have been made) in relation to all and any emoluments, earnings or other benefits received or receivable by reason of employment including, for the avoidance of doubt, any amounts payable under or by reference to the 2003 JCF Group Management Fee Plan or in connection with the performance by an employee of duties in any jurisdiction and in respect of any liability that may arise due to any failure to observe or comply with the directions, rules or concessions of any tax or social security authority; and
 - (iv) any damages arising to Purchaser or Parent in connection with the domiciliation arrangements listed in Schedule 3.8 of the Purchase Agreement relating to the 43 rue La Fayette address of JCF Group SAS prior to termination of such arrangements in accordance with Section 5.9(c) of the Purchase Agreement.

No Claim may be made in respect of any item set forth in clauses (i) to (iv) above unless such Claim is in an amount that exceeds the amount set forth in Section 8.2(b)(ii) of the Purchase Agreement. The limitation set forth in Section 8.2(b)(i) of the Purchase Agreement shall not apply to any item set forth in clauses (i) to (iv) above, and any payment made hereunder in respect of any item set forth in clauses (i) to (iv) above shall not be considered for purposes of calculating the aggregate Losses incurred for purposes of such Section 8.2(b)(i). Each Purchaser Indemnitee may make more than one Claim with respect to any underlying state of facts.

Table of Contents

- (c) If Seller gives notice to Parent and Escrow Agent disputing any Claim (a **Counter Notice**) within 10 Business Days following receipt by Escrow Agent of the Notice regarding such Claim, such Claim shall be resolved as provided in Section 3(e). If no Counter Notice is received by Escrow Agent within such 10 Business Day period, then the euro amount of damages claimed by Purchaser Indemnitee as set forth in the Notice given by Parent shall be deemed established for purposes of this Agreement and the Purchase Agreement and, at the end of such 10 Business Day period, Escrow Agent shall pay to Parent on the next Business Day the euro amount claimed in the Notice from (and only to the extent of) the Escrowed Funds. Escrow Agent shall not inquire into or consider whether a Claim complies with the requirements of the Purchase Agreement.
- (d) No Notice or Counter Notice shall be valid for the purposes hereof unless Parent, in the case of a Notice, and Seller, in the case of a Counter Notice, in respect of any Claim undertakes in such Notice or Counter Notice, as the case may be, to pay all legal fees and out-of-pocket expenses incurred by the other party with respect to such Claim (and the enforcement of such other party's rights under the Purchase Agreement and this Agreement), together with interest thereon at a rate equal to the rate of interest from time to time announced publicly by Citibank, N.A., as its prime rate, calculated on the basis of the actual number of days elapsed divided by 365, from the date the Claim is made to the date of payment, in the event a court of competent jurisdiction makes an order in accordance with Section 3(e)(ii) in favor of such other party. Unless Parent otherwise consents, such fees, expenses and interest (in the case of Seller) may not be paid out of the Escrowed Funds.
- (e) If a Counter Notice is given with respect to a claim, Escrow Agent shall make payment with respect thereto only in accordance with (i) joint written instructions of Parent and Seller or (ii) an award, order or judgment of a court of competent jurisdiction. Escrow Agent shall act on such court order without further question.
- (f) In the event funds transfer instructions are given (other than in writing at the time of execution of this Agreement), whether in writing, by telecopier or otherwise, Escrow Agent is authorized to seek confirmation of such instructions by telephone call-back to the person or persons designated on Schedule 1 hereto, and Escrow Agent may rely upon the confirmation of anyone purporting to be the person or persons so designated. The persons and telephone numbers for call-backs may be changed only in writing actually received and acknowledged by Escrow Agent. Escrow Agent and the beneficiary's bank in any funds transfer may rely solely upon any account numbers or similar identifying numbers provided by Parent to identify (i) the beneficiary, (ii) the beneficiary's bank, or (iii) an intermediary bank. Escrow Agent may apply any of the Escrowed Funds for any payment order it executes using any such identifying number, even when its use may result in a person other than the beneficiary being paid, or the transfer of funds to a bank other than the beneficiary's bank or an intermediary bank designated. The parties to this Agreement acknowledge that these security procedures are commercially reasonable.

4. Duties of Escrow Agent

- (a) Escrow Agent shall not be required to invest any funds held hereunder except as directed pursuant to Section 2 of this Agreement. Uninvested funds held hereunder shall not earn or accrue interest.
- (b) This Agreement expressly sets forth all the duties of Escrow Agent with respect to any and all matters pertinent hereto. No implied duties or obligations shall be read into this agreement against Escrow Agent. Escrow Agent shall not be bound by the provisions of any agreement among the other parties hereto except this Agreement. Escrow Agent's duties are ministerial in nature.

Table of Contents

- (c) Escrow Agent shall not be liable, except for its own gross negligence or willful misconduct, and, except with respect to claims based upon such gross negligence or willful misconduct that are successfully asserted against Escrow Agent, the other parties hereto shall jointly and severally indemnify and hold harmless Escrow Agent (and any successor Escrow Agent) from and against any and all losses, liabilities, claims, actions, damages and expenses, including reasonable attorneys' fees and disbursements, arising out of and in connection with this Agreement. Without limiting the foregoing, Escrow Agent shall in no event be liable in connection with its investment or reinvestment of any cash held by it hereunder in good faith, in accordance with the terms hereof, including any liability for any delays (not resulting from its gross negligence or willful misconduct) in the investment or reinvestment of the Escrowed Funds, or any loss of interest incident to any such delays.
- (d) Notwithstanding anything to the contrary in this Agreement, in no event shall Escrow Agent be liable for special, indirect or consequential damage of any kind whatsoever (including but not limited to lost profits), even if Escrow Agent has been advised of the likelihood for such loss or damage and regardless of the form of action. The parties hereto acknowledge that this Section 4(d) shall survive the resignation or the removal of Escrow Agent or the termination of this Agreement.
- (e) Escrow Agent shall be entitled to rely upon any order, judgment, certification, demand, notice, instrument or other writing delivered to it hereunder without being required to determine the authenticity or the correctness of any fact stated therein or the propriety or validity or the service thereof. Escrow Agent may act in reliance upon any instrument or signature believed by it to be genuine and may assume that any person purporting to give notice or receipt or advice or make any statement or execute any document in connection with the provisions hereof has been duly authorized to do so.
- (f) Escrow Agent may act pursuant to the advice of counsel with respect to any matter relating to this Agreement and shall not be liable for any action taken or omitted in accordance with such advice.
- (g) Escrow Agent does not have any interest in the Escrowed Funds deposited hereunder but is serving as escrow agent only and having only possession thereof. Any payments of income from this Agreement shall be subject to withholding regulations then in force with respect to United States taxes. The parties hereto shall provide Escrow Agent with appropriate W-9 and W-8 forms for tax identification, number certification, or nonresident alien certifications.
- (h) Escrow Agent makes no representation as to the validity, value, genuineness or the collectability of any security or other documents or instrument held by or delivered to it.
- (i) Escrow Agent (and any successor Escrow Agent) may at any time resign as such by delivering the Escrowed Funds to any successor Escrow Agent jointly designated by the other parties hereto in writing, or to any court of competent jurisdiction, whereupon Escrow Agent shall be discharged of and from any and all further obligations arising in connection with this Agreement. The resignation of Escrow Agent shall take effect on the earlier of (i) the appointment of a successor (including a court of competent jurisdiction) or (ii) the day that is 30 days after the date of delivery of its written notice of resignation to the other parties hereto. If at that time Escrow Agent has not received a designation of a successor Escrow Agent, Escrow Agent's sole

Table of Contents

responsibility after that time shall be to retain and safeguard the Escrowed Funds until receipt of a designation of successor Escrow Agent or a joint written disposition instruction by the other parties hereto or a final and nonappealable order of a court of competent jurisdiction.

- (j) In the event of any disagreement between Parent and Seller resulting in adverse claims or demands being made in connection with the Escrowed Funds, or in the event that Escrow Agent in good faith is in doubt as to what action it should take hereunder, Escrow Agent shall be entitled to retain the Escrowed Funds until Escrow Agent shall have received (i) a final nonappealable order of a court of competent jurisdiction directing delivery of the Escrowed Funds or (ii) a written agreement executed by Parent and Seller directing delivery of the Escrowed Funds, in which event Escrow Agent shall disburse the Escrowed Funds in accordance with such order or agreement. Escrow Agent shall act on any court order without further question.
- (k) Parent and Seller shall pay Escrow Agent compensation (as payment in full) for the services to be rendered by Escrow Agent hereunder in the amount of U.S.\$7,500 at the time of execution of this Agreement and U.S.\$7,500 annually thereafter (not subject to proration), and agree to reimburse Escrow Agent for all reasonable expenses, disbursements and advances incurred or made by Escrow Agent in performance of its duties hereunder (including reasonable fees, expenses and disbursements of its counsel). Any such compensation and reimbursement to which Escrow Agent is entitled shall be borne 50% by Parent, 50% by Seller (Seller's portion of the fee may be paid, at the option of Parent, from the Escrowed Funds).

5. Notices

All notices, requests, claims, demands and other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent by facsimile or sent, postage prepaid, return receipt requested, by registered, certified or express mail or overnight courier service and shall be deemed given when so delivered by hand or facsimile, or if mailed, three days after mailing (one Business Day in the case of express mail or overnight courier service), to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 5):

(i) if to Purchaser or Parent,

prior to August 15, 2004

FactSet Research Systems Inc.
One Greenwich Plaza
Greenwich, Connecticut 06830-6352
Fax: (203) 552-4813
Attention: Rachel Stern

after August 15, 2004

FactSet Research Systems Inc.
601 Merritt 7
Norwalk, Connecticut 06851
Attention: Rachel Stern

Table of Contents

with a copy to:

Allen & Overy LLP
1221 Avenue of the Americas
New York, NY 10020
Fax: (212) 610-6399
Attention: Eric S. Shube

(ii) if to Seller or Seller's Stockholder Representative,

JCF Group
c/o JCF International Limited
21 Curtain Road
London, EC2A 3LW
ENGLAND
Fax:
Attention: Jacques Chahine

with a copy to:

Mintz Levin Cohn Ferris Glovsky and Popeo PC
666 Third Avenue
New York, NY 10017
Fax: (212) 983-3115
Attention: Michael B. Barry

(iii) if to Escrow Agent, to:

JPMorgan Chase Bank
4 New York Plaza
21st Floor
New York, NY 10004
Fax: (212) 623-6168
Attention: Vicky Caldas

6. Termination

On the [Redacted] anniversary of the Closing Date, Escrow Agent shall pay and distribute to Seller all remaining Escrowed Funds, unless (i) any Claims are then pending, in which case an amount equal to the aggregate euro amount of such Claims (as shown in the Notices of such Claims) shall be retained by Escrow Agent as Escrowed Funds or (ii) Parent has given notice to Seller and Escrow Agent specifying in reasonable detail the nature of any other claim that any Purchaser Indemnitee may have under Section 8.1(a) or Section 8.2 of the Purchase Agreement or under Section 3(b) of this Agreement with respect to which it is unable to specify the amount of Losses, in which case the entire Escrowed Funds shall be retained by Escrow Agent, in either case until it receives joint written instructions of Parent and Seller or a certificate signed by Parent and accompanied by an award, order or judgment of a court of competent jurisdiction as contemplated by Section 3(e).

7. Miscellaneous

- (a) Neither party may assign any of its rights under this Agreement without the prior consent of the other parties (such consent not to be unreasonably withheld, delayed or conditioned), except that Parent may assign any of its rights under this Agreement to any Subsidiary or affiliate of Parent without the prior written consent of any other party. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the parties. Nothing expressed or referred to in this Agreement will be construed to give any person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and successors and assigns.
- (b) This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other party.
- (c) This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.
- (d) Each party irrevocably and unconditionally submits to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each party to this Agreement hereby waives formal service of process and agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth above shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Section 7(d). Each party to this Agreement irrevocably and unconditionally waives, pursuant to the provisions of Section 5-1402 of the New York General Obligations Law, any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement, any Ancillary Agreement or the transactions contemplated hereby and thereby in (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, and hereby and thereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.
- (e) This Agreement (and any claims or disputes arising out of or related thereto or to the transactions contemplated thereby or to the inducement of any party to enter therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall in all respects be governed by and construed in accordance with the laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any conflict of law rules that might lead to the application of the laws of any other jurisdiction. Each party to this Agreement further agrees that the laws of the State of New York bear a reasonable relationship to this Agreement and irrevocably and unconditionally waives, pursuant to Section 5-1401 of the New York General Obligations Law, any objection to the application of the laws of the State of New York to any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby and further irrevocably and unconditionally waives and agrees not to plead or claim that any such action, suit or proceeding should not be governed by the laws of the State of New York. This Agreement has been negotiated, executed and delivered in the State of New York.

Table of Contents

- (f) EACH PARTY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) DIRECTLY OR INDIRECTLY RELATING TO ANY DISPUTE ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY. Each party (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 7(f).
- (g) Seller's Stockholder Representative shall cause Seller to perform its obligations under this Agreement.
- (h) Any corporation into which Escrow Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which Escrow Agent in its individual capacity shall be a party, or any corporation to which substantially all the corporate trust business of Escrow Agent in its individual capacity may be transferred, shall be Escrow Agent under this Agreement without requirement for further action.
- (i) In the event that Escrow Agent is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes, equipment or transmission failure or other cause reasonably beyond its control, Escrow Agent shall not be liable for damages to the other parties for any damages resulting from such failure to perform otherwise from such causes. Performance under this Agreement shall resume when Escrow Agent is able to perform substantially perform.
- (j) In the event that any Escrowed Funds shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by any order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the Escrowed Funds deposited under this Agreement, Escrow Agent is hereby expressly authorized, in its sole discretion, to obey and comply with all writs, orders or decrees so entered or issued, which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction, and in the event that Escrow Agent obeys or complies with any such writ, order or decree it shall not be liable to any of the parties hereto or to any other person, firm or corporation, by reason of such compliance notwithstanding such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

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

FACTSET RESEARCH SYSTEMS INC.

by

Name:
Title:

FACTSET EUROPE S.À.R.L.

by

Name:
Title:

JACQUES CHAHINE

DECISION DATA LUXEMBOURG S.A.

by

Name:
Title:

JPMORGAN CHASE BANK

by

Name:
Title:

SCHEDULE 1

Telephone Number(s) for Call-backs and
Person(s) Designated to Confirm Funds Transfer Instructions

FactSet Research Systems Inc.

<u>Name</u>	<u>Telephone Number</u>
1. Rachel Stern	203 863 7613
2. Ernest Wong	203 863 1525
3. Mark Dell'Isola	203 863 1516

EXHIBIT 2
EMPLOYMENT AGREEMENT
[FORM OF EMPLOYMENT AND NONCOMPETITION
AGREEMENT–U.S. PERSONNEL]
EMPLOYMENT AGREEMENT

AGREEMENT made as of the [29th] day of [June], 2004

BETWEEN:

- (1) **FactSet Research Systems Inc.**, a Delaware corporation (the **Company** or **FactSet**), and
(2) (the **Executive**).

WHEREAS:

- (A) The Company recognizes that the Executive's contribution to the success of JCF Group, Inc. has been substantial, and the Company desires to secure the Executive's employment with the Company;
(B) The Executive is willing to commit himself to serve the Company, on the terms and conditions herein provided; and
(C) In order to effect the foregoing, the Company and the Executive wish to enter into an employment agreement on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements of the parties herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. EMPLOYMENT

The Company hereby agrees to employ the Executive, and the Executive hereby agrees to serve the Company, on the terms and conditions set forth herein.

2. TERM

The employment of the Executive by the Company as provided in Section 1 will commence on the closing of the acquisition by the Company (or one of its affiliates) of Decision Data System B.V., JCF Group SAS, JCF Italia S.r.l., JCF Information (Asia) Pte Limited, JCF Group, Inc., JCF Partners Limited, JCF International Limited and JCF Development Limited (collectively, **JCF Group**) through the purchase of all the outstanding stock of Decision Data System B.V. pursuant to a definitive stock purchase agreement between the Company, FactSet Europe s.à.r.l., Jacques Chahine and Decision Data Luxembourg S.A. of even date herewith (the **Commencement Date**) and end on the third anniversary of the Commencement Date, unless sooner terminated as hereinafter provided (the **Term**), provided, however, that at the end of the Term and at the end of any extension thereof this Agreement shall automatically renew for an additional one-year term (any such extension, together with the Term, constituting the Extended

[Table of Contents](#)

Term) unless either party gives written notice at least ninety (90) days in advance of the expiration of the Term or the Extended Term, as the case may be, that it shall not be so extended. If such acquisition of JCF Group does not occur for any reason, this Agreement shall be null and void and of no force or effect.

3. POSITION AND DUTIES

The Executive shall serve as [TITLE], and shall have such responsibilities, duties and authority related to JCF Group operations as set forth in Exhibit A hereto and as may from time to time be assigned to the Executive by the senior management of the Company that are consistent with such responsibilities, duties and authority. Executive shall report directly to the President of the Company.

The Executive shall devote substantially all his working time and efforts to the business and affairs of the Company and no others. The Executive shall not be employed by any other person or entity during the term of this Agreement and any Extended Terms.

4. PLACE OF PERFORMANCE

In connection with the Executive's employment by the Company, the Executive shall be principally based at the Company's headquarters in Norwalk, Connecticut, except for required travel on the Company's business; it being understood that travel by Executive to JCF Group business offices in Europe is expected to occur on a regular and recurring basis in connection with the Executive's position and duties hereunder.

5. COMPENSATION AND RELATED MATTERS

5.1 Salary

- (a) During the period of the Executive's employment hereunder, the Company shall pay to the Executive an annual base salary at a rate of \$_____ for the first twelve-month period beginning on the Commencement Date and ending on the first anniversary of the Commencement Date, \$_____ for the twelve-month period beginning on the first anniversary of the Commencement Date and ending on the second anniversary of the Commencement Date and \$_____ for the twelve-month period beginning on the second anniversary of the Commencement Date and ending on the third anniversary of the Commencement Date, such salary to be paid in substantially equal installments in accordance with the Company's payroll practices. This salary may be increased from time to time in accordance with normal business practices of the Company.
- (b) Compensation of the Executive by salary payments shall not be deemed exclusive and shall not prevent the Executive from participating in any other compensation or benefit plan of the Company for which he is otherwise eligible. The salary payments (including any increased salary payments) hereunder shall not in any way limit or reduce any other obligation of the Company hereunder, and no other compensation, benefit or payment hereunder shall in any way limit or reduce the obligation of the Company to pay the Executive's salary hereunder.

5.2 Bonus Compensation

The Executive shall be entitled to receive (i) a \$_____ signing bonus payable within five business days following the Commencement Date and (ii) a \$_____ extraordinary bonus payable at the time that the Company pays bonuses to its employees generally in respect of the fiscal year ending August 31, 2004. For each full fiscal year of the Company beginning with the fiscal year ending August 31, 2005, the Executive shall be eligible for an annual bonus based upon such performance criteria as determined by the Compensation Committee of the Board of Directors (the **Compensation Committee**) and subject to the approval of the Board of Directors; provided, however, that, subject to the approval of the Board of Directors, a minimum \$_____ bonus will be paid in respect of the fiscal year ending August 31, 2005, and a minimum \$_____ bonus will be paid in respect of the fiscal year ending August 31, 2006. Bonuses will be paid to the Executive at the time that bonuses are paid generally to other executives of the Company provided, in each case, that the Executive is then still employed by the Company on the applicable bonus payment date.

5.3 Stock Options

Subject to the approval of the Board of Directors, on the Commencement Date, the Executive shall be granted a nonqualified stock option (the **Option**) to purchase _____ shares of common stock of the Company at a price per share equal to the fair market value of such shares on the date of grant as determined by the Compensation Committee and otherwise in accordance with the terms of the 2000 FactSet Research Systems Inc. Stock Option Plan (the **Plan**). During the Term and any Extended Term, Executive shall also be considered for and awarded stock options each time that senior executives of the Company are awarded stock options on an across-the-board basis.

5.4 Expenses

During the Term and any Extended Term, the Executive shall be entitled to receive prompt reimbursement for all reasonable and customary expenses incurred by the Executive in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Company, provided that such expenses are properly incurred and accounted for in accordance with the policies and procedures established by the Company.

5.5 Other Benefits

The Executive shall be entitled to participate in all of the Company's broad-based employee benefit plans and arrangements in effect on the date hereof (including, without limitation, each of the Company's employee stock ownership plan, 401(k) savings plan, health and welfare plans, life insurance arrangements and employee stock purchase program), provided that the Company may from time to time make any changes in such plans or arrangements (including terminating such plans or arrangements) that the Company deems appropriate in its discretion. Any payments or benefits payable to the Executive hereunder in respect of any calendar or fiscal year, as applicable, during which the Executive is employed by the Company for less than the entire such year shall, unless otherwise provided in the applicable plan or arrangement, be prorated in accordance with the number of days in such calendar year during which he is so employed.

[Table of Contents](#)

5.6 Vacations

The Executive shall be entitled to no less than four weeks' paid vacation in each calendar year during the Term and any Extended Term (prorated, in each case, for partial years). The Executive shall also be entitled to all paid holidays and personal days given by the Company to its similarly situated executives.

5.7 Services Furnished

The Company shall furnish the Executive with office space and such other facilities and services as shall be appropriate to the Executive's position, adequate for the performance of his duties as set forth in Section 3 hereof and at least comparable to that provided generally to the Company's executives of similar rank.

6. TERMINATION

The Executive's employment hereunder may be terminated without any breach of this Agreement only under the following circumstances:

6.1 Death

The Executive's employment hereunder shall terminate upon his death.

6.2 Disability

If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from his duties hereunder on a full-time basis for the entire period of six consecutive months (**Disability**), and within thirty (30) days after written notice of termination is given (which may occur before or after the end of such six-month period) shall not have returned to the performance of his duties hereunder on a full-time basis, the Company may terminate the Executive's employment for Disability hereunder.

6.3 Cause

The Company may terminate the Executive's employment hereunder for "Cause". For purposes of this Agreement, the Company shall have **Cause** to terminate the Executive's employment hereunder upon (i) habitual or material neglect of Executive's duties set forth in Section 3, including but not limited to Executive's excessive absence from duty; (ii) the commission by the Executive of an act of fraud against the Company or any affiliate; (iii) the unauthorized disclosure of confidential proprietary information of the Company or any affiliate which disclosure the Executive knows or reasonably should have known could have the potential to damage the Company or any affiliate; (iv) a breach of one or more of the following duties to the Company: (a) the duty not to take actions that would reasonably be viewed by the Company as placing the Executive's interest in a position adverse to the interest of the Company, which breach, if curable, is not remedied within thirty (30) days after the Executive's receipt of written notice thereof; provided, however, that the Company need not permit the Executive to cure any such breach that has been the subject of a prior written notice; or (b) the duty not to engage in self-dealing with respect to the Company's assets, properties or business opportunities, which breach, if curable, is not remedied within thirty (30) days after the Executive's receipt of written notice thereof; provided, however, that the Company need not permit the Executive to cure any such breach that

[Table of Contents](#)

has been the subject of a prior written notice; (v) a conviction of the Executive (or a plea of *nolo contendere* in lieu thereof) to a felony or an offence involving moral turpitude); (vi) misconduct as an employee of the Company, including, but not limited to, demonstrably wilful and deliberate violation by the Executive of written policies or directives of the Company, which policies do not require the Executive to engage in illegal conduct or violate reasonable business ethical standards; (vii) an act of gross negligence or willful misconduct in the performance of the Executive's duties to the Company; or (viii) failure to report or disclose to the Executive's manager or to any other senior officer material information regarding any act of fraud that the Executive knows or reasonably should have known is reasonably likely to have the potential to damage the Company or any affiliate.

6.4 Notice of Termination

Any termination of the Executive's employment by the Company or by the Executive (other than termination pursuant to Section 6.1 hereof) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 10. For purposes of this Agreement, a **Notice of Termination** shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

6.5 Date of Termination

Date of Termination shall mean (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated pursuant to Section 6.2 above, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the performance of his duties on a full-time basis during such thirty (30) day period), (iii) if the Executive's employment is terminated pursuant to Section 6.3 above, the date specified in the Notice of Termination, and (iv) if the Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given.

7. COMPENSATION UPON TERMINATION OR DURING DISABILITY

- (a) During any period that the Executive fails to perform his duties hereunder as a result of Disability (**Disability Period**), the Executive shall continue to receive his full salary at the rate then in effect for such period until his Date of Termination pursuant to Section 6.5 hereof, provided that payments so made to the Executive during the first 180 days of the Disability Period shall be reduced by the sum of the amounts, if any, payable to the Executive at or prior to the time of any such payment under disability benefit plans of the Company or under the Social Security disability insurance program, and which amounts were not previously applied to reduce any such payment. In addition, the Executive shall be entitled to any other benefits the Executive is entitled to as of the Date of Termination under any plan or program of the Company, at the time such payments are due, plus a prorated bonus based upon the relevant minimum bonus payable for the year in which the Date of Termination occurs.
- (b) If the Executive's employment is terminated by his death, the Company shall pay any amounts due to the Executive under Section 5 through Date of Termination. In addition, the Executive shall be entitled to any other benefits the Executive is entitled to as of the Date of Termination under any plan or program of the Company, at the time such payments are due, plus a prorated bonus based upon the relevant minimum bonus payable for the year in which the Date of Termination occurs.

[Table of Contents](#)

- (c) If the Company shall involuntarily terminate the Executive's employment (other than for Disability or for Cause), then
- (i) the Company shall pay the Executive his full salary through the Date of Termination at the rate in effect at the time Notice of Termination is given and all other unpaid amounts, if any, to which the Executive is entitled as of the Date of Termination under any compensation plan or program of the Company, at the time such payments are due;
 - (ii) the Company shall continue to pay to the Executive his base salary at the annual salary rate in effect as of the Date of Termination for the remainder of the original Term or, if applicable, the Extended Term, but not to exceed 12 months' base salary in any event;
 - (iii) for the remainder of the original Term or, if applicable, the Extended Term, the Executive shall be permitted to participate in the Company's health, life and disability insurance plans to the extent permitted thereunder provided that the Executive continues to contribute the employee's share of the cost applicable to such coverage; provided, however, that such coverage shall be provided only as long as the Executive complies with his obligations under Section 8.
- (d) If the Company shall terminate the Executive's employment for Cause or if the Executive shall terminate his employment for any reason other than death or Disability, the Company shall have no further obligations under this Agreement other than to pay the Executive any accrued but unpaid salary for periods prior to the Date of Termination and any unreimbursed business expenses (in accordance with Section 5.4).

8. RESTRICTIVE COVENANTS

8.1 Noncompetition

During the Term or Extended Term, as the case may be, and for two years thereafter, 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 that is similar to or competes with the business of JCF Group, the Company or its affiliates (a **Competitive Activity**). For these purposes, the Executive's passive ownership of securities of a public company not in excess of one percent (1%) of any class of such securities shall not be considered to be a Competitive Activity with JCF Group, the Company or its affiliates.

8.2 Nonsolicitation

During the Term or Extended Term, as the case may be, and for two years thereafter, the Executive shall not for himself or any person or business entity, induce or attempt to induce any employee of the Company or an affiliate to terminate employment with the Company or an affiliate or solicit, entice, take away or employ any person employed by the Company or an affiliate.

8.3 Nondisclosure of Confidential Information

Executive agrees to keep secret and retain in the strictest confidence all confidential matters which relate to the JCF Group business, the Company or any affiliate, including without limitation, customer lists, client lists, trade secrets, pricing policies and other nonpublic business affairs of the Company and any 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 the Company or any of its affiliates, whether during or after the term of the Executive's employment, except as may be required by a court of law, by any governmental agency having supervisory authority of the business having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order him to divulge, disclose or make accessible such information. The Executive agrees to give the Company advance written notice of any disclosure pursuant to the preceding sentence and to cooperate at the Company's expense with any efforts by the Company to limit the extent of such disclosure. Upon request by the Company, the Executive agrees to deliver promptly to the Company upon termination of his services for the Company, or at any time thereafter as the Company may request, all Company or affiliate memoranda, notes, records, reports, manuals, drawings, designs, computer files in any media and other documents (and all copies thereof) relating to the Company's or any affiliate's business and all property of the Company or any affiliate associated therewith, which he may then possess or have under his control, other than personal notes, diaries and correspondence.

9. SUCCESSORS; BINDING AGREEMENT

- (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, **Company** shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.
- (b) This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amount unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there be no such designee, to the Executive's estate.

10. NOTICE

For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

JCF Group, Inc.
270 Lafayette Street
Suite 510
New York, NY 10012
Fax: (212) 343-8731
Attention: _____

If to the Company:

prior to August 15, 2004

FactSet Research Systems Inc.
One Greenwich Plaza
Greenwich, CT 06830
Fax: (203) 552-4813
Attention: Rachel Stern

after August 15, 2004

FactSet Research Systems Inc.
601 Merritt 7
Norwalk, CT 06851
Attention: Rachel Stern

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11. MISCELLANEOUS

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 such officer of the Company as may be specifically designated by the Board. 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. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party, which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Connecticut without regard to its conflicts of law principles.

12. VALIDITY

The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. COUNTERPARTS

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

14. DISPUTE RESOLUTION

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Stamford, Connecticut. Each party's expense of such litigation shall be borne by such party.

15. 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 any party hereto; and any prior agreement of the parties hereto (including, for this purpose, all prior agreements between Executive and JCF Group, Inc., JCF Group or any of their respective affiliates) in respect of the subject matter contained herein is hereby terminated and canceled.

[Table of Contents](#)

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

FACTSET RESEARCH SYSTEMS INC.

By _____

Name:

Title:

Attest:

By _____

EXECUTIVE

By _____

[NAME]

Exhibit A
Initial Duties and Responsibilities¹

[TO BE SPECIFIED]

¹ Subject to further discussion between parties

[FORM OF EMPLOYMENT AND NONCOMPETITION
AGREEMENT–FRENCH PERSONNEL]

EMPLOYMENT AGREEMENT

AGREEMENT made as of the [29th] day of [June], 2004

BETWEEN:

(1) FactSet < > (the **Company** or **FactSet**), and

(2) Mr < > (the **Executive**).

The Company and the Executive are hereafter collectively referred to as the Parties.

WHEREAS:

- (A) The Company recognizes that the Executive's contribution to the success of [ENTITY] has been substantial, and the Company desires to secure the Executive's employment with the Company;
- (B) The Executive is willing to commit himself to serve the Company, on the terms and conditions herein provided; and
- (C) In order to effect the foregoing, the Company and the Executive wish to enter into an employment agreement on the terms and conditions set forth below.
- (D) For the purpose of this employment agreement, the Executive declares that he has resigned from all his current functions and in particular that he has terminated his employment agreement with < >. As a consequence, the Executive declares to be free from any contract and any non-competition obligation to a previous employer.
- (E) Mutually acknowledging their legal capacity to contract and undertake obligations, particularly for this contract, the Parties expressly agree to regulate their reciprocal obligations in accordance with the provisions of French law and of the Syntec Collective Bargaining Agreement (hereafter the "Collective Bargaining Agreement").

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements of the parties herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. EMPLOYMENT

The Company hereby agrees to employ the Executive, and the Executive hereby agrees to serve the Company, on the terms and conditions set forth herein. This employment agreement is not subject to any trial period.

2. TERM

The employment of the Executive by the Company as provided in Section 1 will commence on the closing of the acquisition by the Company (or one of its affiliates) of JCF Group SA and its

Table of Contents

affiliates (**JCF Group**) through the purchase of all the outstanding stock of Decision Data System B.V. pursuant to a definitive stock purchase agreement between the Company, [FACTSET Europe S.a.r.l., Jacques Chahine and Decision Data Luxembourg S.A. of even date herewith (the **Commencement Date**). If such acquisition of JCF Group does not occur for any reason, this Agreement shall be null and void and of no force or effect.

<However, the Company agrees to take into consideration the length of service acquired by the Executive with JCF Group. Therefore, the starting date ("Starting Sate") of this employment agreement will be < > provided that the acquisition does occur.

3. POSITION AND DUTIES

The Executive shall serve as < >, and shall have such responsibilities, duties and authority related to JCF Group operations as set forth in Exhibit A hereto and as may from time to time be assigned to the Executive by the senior management of the Company that are consistent with such responsibilities, duties and authority.

The Executive shall devote substantially all his working time and efforts to the business and affairs of the Company and no others. The Executive shall not be employed by any other person or entity during the term of this Agreement and any renewal terms.

For anything that is not mentioned in the contract hereof, the Parties agree to comply with the provisions of the Collective Bargaining Agreement and legal provisions.

The duties of the Executive are specified for indicative purposes only, and further modification shall not be deemed to be a substantial modification of this agreement.

The Executive will exercise his duties under the authority and in the context of the instructions given by < > who is < > of the Company and to whom the Executive will report on his activity.

4. PLACE OF PERFORMANCE

In connection with the Executive's employment by the Company, the Executive shall be principally based at the Company's headquarters in Paris, except for required travel on the Company's business or any relocation of the JCF Group business after the Commencement Date; it being understood that travel by Executive to JCF Group business offices in Europe is expected to occur on a regular and recurring basis in connection with the Executive's position and duties hereunder.

5. COMPENSATION AND RELATED MATTERS

5.1 Salary

- (a) During the period of the Executive's employment hereunder, the Company shall pay to the Executive an annual base salary at a rate of < > for the first twelve-month period beginning on the Commencement Date and ending on the first anniversary of the Commencement Date, < > for the twelve-month period beginning on the first anniversary of the Commencement Date and ending on the second anniversary of the Commencement Date and < > for the twelve-month period beginning on the second anniversary of the Commencement Date and ending on the

[Table of Contents](#)

third anniversary of the Commencement Date, such salary to be paid in substantially equal installments in accordance with the Company's payroll practices. This salary may be increased from time to time in accordance with normal business practices of the Company.

- (b) Compensation of the Executive by salary payments shall not be deemed exclusive and shall not prevent the Executive from participating in any other compensation or benefit plan of the Company for which he is otherwise eligible. The salary payments (including any increased salary payments) hereunder shall not in any way limit or reduce any other obligation of the Company hereunder, and no other compensation, benefit or payment hereunder shall in any way limit or reduce the obligation of the Company to pay the Executive's salary hereunder.

5.2 Bonus Compensation

[The Executive shall be entitled to receive (i) a < > signing bonus payable within five business days following the Commencement Date. For each full fiscal year of the Company during the Term beginning with the fiscal year ending <August 31, 2005, the Executive shall be eligible for an annual bonus based upon such performance criteria as determined by the <Compensation Committee of the Board of Directors (the **Compensation Committee**) and subject to the approval of the Board of Directors; provided, however, that, subject to the approval of the Board of Directors, a minimum < > bonus will be paid in respect of the fiscal year ending August 31, 2005, a minimum < > bonus will be paid in respect of the fiscal year ending August 31, 2006, and a minimum < > bonus will be paid in respect of the fiscal year ending August 31, 2007. Bonuses will be paid to the Executive at the time that bonuses are paid generally to other executives of the Company provided, in each case, that the Executive is then still employed by the Company on the applicable bonus payment date. The criteria for the annual bonus will be determined in the first place by < > and these will be included in an addendum to the present contract. For the consecutive years, an addendum will include the new criteria and should be signed by the Parties.

5.3 Stock Options

The Executive shall be considered for grant of equity awards during the course of his employment.

5.4 Expenses

During the term of the Executive's employment hereunder, the Executive shall be entitled to receive prompt reimbursement for all reasonable and customary expenses incurred by the Executive in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Company, provided that such expenses are properly incurred and accounted for in accordance with the policies and procedures established by the Company.

5.5 Other Benefits

The Executive shall be entitled to participate in all of the Company's broad-based employee benefit plans and arrangements in effect on the date hereof Any payments or benefits payable to the Executive hereunder in respect of any calendar or fiscal year, as applicable, during which the Executive is employed by the Company for less than the entire such year shall, unless otherwise provided in the applicable plan or arrangement, be prorated in accordance with the number of days in such calendar year during which he is so employed.

5.6 Vacations

The Executive shall be entitled to 25 working days' annual paid leave, in accordance with the Company vacation policy as in effect on the date hereof as may be amended from time to time. The Executive shall also be entitled to all paid holidays and personal days given by the Company to its similarly situated executives.

6. WORKING TIME

In light of the functions and the autonomy of which benefits the Executive to organize his working time, his monthly remuneration is fixed and the Executive will not receive any further remuneration for overtime.

7. SOCIAL SECURITY PROTECTION

The Executive will be entitled to benefit from the obligatory and complementary social security regimes to which executives of the Company are entitled and, more generally, those applicable in accordance with French law.

8. COMPANY CAR

[The Executive will be provided with a company car, in accordance with the Company policy.]

In addition to the reimbursement of reasonable business expenses incurred in relation to the use of the car (petrol, tolls, parking etc.), the Company will be responsible for the premiums for comprehensive insurance and running costs and maintenance expenses incurred in relation to the use of the car for business purposes.

The Executive is permitted to use the company car for his personal use, on the condition that he shall indemnify the Company for all fines, charges, liability, damages or other such losses or costs which arise from his personal use of the car.

However, the provision of a company car for personal use as well as the payment of petrol costs by the Company for personal use amounts to a benefit in kind ("avantage en nature") which will be taken into account as such in relation to tax and social security matters.

The car provided to the Executive remains the property of the Company. The car must be returned to the Company on termination of this employment contract, for whatever reason, at the end of the period of notice or immediately on termination of the contract if there is no period of notice.

9. TERMINATION

This employment contract may be terminated by a notice of three months to be given by the Company and of three months to be given by the Executive. During the term of notice, the Executive can be suspended from work on full pay. In such a case, the Executive shall immediately return all Company property with the exception however of the company car which

the Executive must return to the Company at the end of the notice period whether or not the Executive works during all or part of the notice period (except where he is dismissed for serious or gross misconduct (“faute grave or faute lourde”). There may be no right of retention.

If the Executive commits serious misconduct (“Faute grave”) or gross negligence (“Faute lourde”), his employment agreement may be terminated without notice or payment in lieu of notice.

10. INTELLECTUAL PROPERTY RIGHTS

For the purpose of this clause “Intellectual Property Rights” shall mean patents, patent applications, registered or unregistered trademarks, drawings, design, authors rights on creations, know-how, business names registered or not, trade secret and any other intellectual property rights over any creations made by the Executive .

The Executive agrees to make full and prompt disclosure to the Company, of any and all Intellectual Property Rights made, discovered or created during the course of his employment and provide the Company with every piece of information, drawings or other documents he may have concerning these Intellectual Property Rights.

The Executive further agrees to provide all assistance requested by the Company at its expense, in the preservation of its interest in any Intellectual Property Rights in any country.

The Executive hereby assigns and agrees to assign to the Company or to any other company of the group to which it belongs, on an exclusive basis and in consideration of the fixed amount included in his salary, all Intellectual Property Rights relating to his creations as soon as they are created. Pursuant to this clause, the assignment includes, in particular the following:

- (i) reproduction, use, and rewriting for any utilisation whatsoever. The right of reproduction shall include, but shall not be limited to the digitalisation, graphic reproduction by any means whatsoever and according to any technique on any medium whether physical such as CD-ROM, DVD-ROM, optical, magnetic, videographic, paper, or media based on any other technology which may be invented, the total or partial downloading or uploading, whether temporary or permanent, onto on-line, or off-line digital networks such as internet or intranet,
- (ii) representation including the right to disseminate, broadcast, edit, publish, distribute, totally or in part, whether temporary or permanent, onto any type of networks, including by cable, satellite, internet or intranet or local area networks,
- (iii) adaptation, modification, correction, transcription, integration, customisation, upgrading, addition or removal of all or part of the creations,
- (iv) translation, either directly or by a third party, into any written or spoken language, which may or may not be accessible to the public, and translation into any type of computer language,
- (v) rental and loan,

Table of Contents

(vi) marketing in any form whatsoever,

(vii) arrangement and localisation,

it being specified that all of the assigned Intellectual Property Rights further include the right for the Company or for any company of the group to which it belongs to grant licenses for each of the creation.

The scope of the assignment is unlimited and shall cover all countries world-wide and for the duration of protection of the Intellectual Property Rights.

As far as patent rights are concerned, the Executive undertakes, in respect of article R-611-1 of the French intellectual property Code, and for the duration of the contract, to declare any invention which he may make on his own or with someone else, and provide the Company with every piece of information, drawings or other documents he may have concerning these inventions.

(a) Inventions made in the execution of an inventive mission: (*"inventions de service"*)

In respect of article L-611-7 of the French Intellectual Property Code, inventions which may be made by the Executive during his business activity comprising an inventive mission shall be the exclusive property of the Company in any country. The Executive undertakes to execute any necessary formalities in order to file such inventions in the name of the Company. It being specified that the Executive will be attributed an additional amount by the Company. This additional amount will be defined by the Employer.

(b) Inventions made outside an inventive mission (*inventions hors service*)

In respect of article L-611-7 of the French Intellectual Property Code, inventions which may be made by the Executive during the execution of his functions or in the field of activity of the Company, or by reason of knowledge or use of technologies or specific means of the Company or data acquired by the Company shall belong exclusively to the Company it being specified that the Executive will be attributed an equitable fee. In case where the Company and the Executive do not agree on the equitable fee, such fee will be fixed by an ad hoc Commission instituted by article L-615-21 of the French Intellectual Property Code, or by the competent court.

The Executive agrees to sign any document in respect thereof.

Furthermore, the Executive shall provide the Company with a list describing all inventions belonging to him and made by him prior to his employment with the Company that he wishes to have excluded from this Agreement. [If no such list is attached, the Executive represents that there are no such inventions.] [Any general techniques that the Executive has used historically in his work shall be excluded.]

As to any invention in which the Executive has an interest at any time prior to his employment, if he uses or incorporates such an invention in any released or unreleased Company's product, service, program, process, machine, development or work in progress, upon Company's prior written consent, or if the Executive permits the Company to use or incorporate such an invention, the Company is hereby granted and shall have an exclusive royalty-free, irrevocable, world-wide license to exercise any and all rights with respect to such invention, including the right to protect, make, have made, use, and sell that invention without restriction.

11. RESTRICTIVE COVENANTS

11.1 Noncompetition

During the term of the Executive's employment hereunder and for two years thereafter, 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 that is similar to or competes with the business of JCF Group, the Company or its affiliates (a **Competitive Activity**). For these purposes, the Executive's passive ownership of securities of a public company not in excess of one percent (1%) of any class of such securities shall not be considered to be a Competitive Activity with JCF Group, the Company or its affiliates.

The geographical scope of this non-compete covenant covers the following jurisdictions: <the United Kingdom and the State of New York in the United States>.

In consideration for this prohibition, the Executive shall receive a special monthly indemnity equal to 33 1/3 per cent of his gross monthly fixed salary (excluding any bonus), until the end of the non-competition period.

Nonetheless, it is agreed that the Company may unilaterally decide that it waives the non-compete provision with a period of <15> days following the termination of this employment contract. No indemnity would be due in such circumstances.

11.2 Nonsolicitation

During the term of the Executive's employment hereunder and for two years thereafter, the Executive shall not for himself or any person or business entity, induce or attempt to induce any employee of the Company or an affiliate to terminate employment with the Company or an affiliate or solicit, entice, take away or employ any person employed by the Company or an affiliate.

11.3 Nondisclosure of Confidential Information

Executive agrees to keep secret and retain in the strictest confidence all confidential matters which relate to the JCF Group business, the Company or any affiliate, including without limitation, customer lists, client lists, trade secrets, pricing policies and other nonpublic business affairs of the Company and any 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 the Company or any of its affiliates, whether during or after the term of the Executive's employment, except as may be required by a court of law, by any governmental agency having supervisory authority of the business having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order him to divulge, disclose or make accessible such information. The Executive agrees to give the Company advance written notice of any disclosure pursuant to the preceding sentence and to cooperate at the Company's expense with any efforts by the Company to limit the extent of such disclosure. Upon request by the Company, the Executive agrees to deliver promptly to the Company upon termination of his services for the Company, or at any time thereafter as the Company may request, all Company or affiliate memoranda, notes, records, reports, manuals, drawings, designs, computer files in any media and other documents

[Table of Contents](#)

(and all copies thereof) relating to the Company's or any affiliate's business and all property of the Company or any affiliate associated therewith, which he may then possess or have under his control, other than personal notes, diaries and correspondence.

12. MISCELLANEOUS

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 such officer of the Company as may be specifically designated by the Board. 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. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party, which are not set forth expressly in this Agreement.

13. VALIDITY

The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. 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 any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and canceled.

[Table of Contents](#)

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

[ENTITY]

By _____

Name:

Title:

Attest:

By _____

EXECUTIVE

By _____

Exhibit A

Initial Duties and Responsibilities²

[TO BE SPECIFIED]

² Subject to further discussion between parties

EXHIBIT 3
DEED OF TRANSFER

DEED OF TRANSFER OF SHARES

(Decision Data System B.V.)

This • day of • two thousand and four, there appeared before me, •, civil law notary in Amsterdam:

•,
in this respect acting as attorney-in-fact of:

1. Decision Data Luxembourg S.A. (the “**Transferor**”);
2. FactSet Europe S.à.r.l. (the “**Transferee**”); and
3. Decision Data System B.V., a limited liability company under Dutch law (*‘besloten vennootschap met beperkte aansprakelijkheid’*), having its official seat in The Hague, its office address at Laan Copes v Cattenburch 52, 2585GB The Hague and registered in the Commercial Register under number 27183074 (the “**Company**”).

The aforementioned proxies appear from three written powers of attorney attached to this deed (Annexes).

The person appearing declared the following:

RECITALS:

- (A) On the • day of • two thousand and four the Transferor and the Transferee entered into an agreement (the “**Stock Purchase Agreement**”) regarding the sale and transfer of 9,000 (nine thousand) common shares in the capital of the Company, with a par value of ten euro (€10) per share, and 1,000 (one thousand) preference shares, with a par value of ten euro (€10) per share, (the “**Shares**”), jointly representing the entire issued capital of the Company;
- (B) In complying with the transfer obligation arising pursuant to the Stock Purchase Agreement, the Transferor and the Transferee shall hereby effect the transfer of the Shares by the Transferor to the Transferee on the terms set out below.

NOW THEREFORE, THE TRANSFEROR AND THE TRANSFEEE HAVE AGREED AS FOLLOWS:

Article 1. Transfer.

- 1.1 The Transferor hereby transfers the Shares to the Transferee and the Transferee hereby accepts the same from the Transferor, all on the terms set out in the Stock Purchase Agreement and in this deed.
- 1.2 Since the Transferor holds the entire issued capital of the Company, the share transfer restrictions (also referred to as the ‘blocking clause’) referred to in Article 5 of the Company’s Articles of Association have been complied with.
- 1.3 The Shares are registered and no share certificates have been issued for the Shares.

[Table of Contents](#)

Article 2. Purchase Price.

The Transferee has paid the purchase price for the Shares to the Transferor. The Transferor hereby gives full discharge for the payment made.

Article 3. Previous Acquisition of the Shares.

The Transferor has declared to have acquired the Shares by •.

Article 4. Costs.

All costs connected with the preparation of this deed shall be for the account of the Transferor.

Finally, the Company has declared:

The Company hereby acknowledges the transfer of the Shares effected by this deed and shall register the same in its register of shareholders.

Close.

The person appearing is known to me, civil law notary.

This deed was executed in Amsterdam on the date first above written. Before reading out, a concise summary and an explanation of the contents of this deed were given to the person appearing. The person appearing then declared that he had taken note of and agreed to the contents of this deed and did not want the complete deed to be read to him. Thereupon, after limited reading, this deed was signed by the person appearing and by me, civil law notary.

EXHIBIT 4
BALANCE SHEET PRINCIPLES

Computation of Pro Forma Working Capital

Except as set forth below, the Statement shall be prepared in accordance with Section 1.4(d), and International Accounting Standards consistently applied in accordance with past practice of the Company.

The following adjustments shall be made to the amounts included in the Statement for the purpose of calculating the Pro Forma Working Capital:

- 1) Include all cash and cash equivalents, including marketable securities.
- 2) Current liabilities shall exclude the reserve for the French Control Fiscale ongoing for Fiscal Years 2000 through 2001, in the amount of € [Redacted], as described on Schedule 3.12. All other accrued tax liabilities through the Closing Date shall be included in Current Liabilities.
- 3) Current Liabilities shall include deferred revenues through the Closing Date.

EXHIBIT 5
MKY INTELLECTUAL PROPERTY DEED OF ASSIGNMENT
DEED OF ASSIGNMENT
OF INTELLECTUAL PROPERTY
DATED [•] 2004
BETWEEN
MKY FINANCIAL SOFTWARE LIMITED
AND
FACTSET EUROPE S.ÀR.L.

Table of Contents

THIS DEED OF ASSIGNMENT OF INTELLECTUAL PROPERTY is made on • 2004

BETWEEN:

- (3) **MKY FINANCIAL SOFTWARE LIMITED** (registered number 76451) whose registered office is at 804 Regency House, Snow Hill Steps, St. Helier, Jersey, JE4 OTO (the **Assignor**); and
- (4) **FACTSET EUROPE S.À.R.L.**, a private limited liability company organised under the laws of Luxembourg (registered number []) whose registered office is at 54, Boulevard Napoléon 1er, L-221- Luxembourg (the **Assignee**).

WHEREAS

- (F) The Assignor is the owner of various Intellectual Property.
- (G) By a stock purchase agreement dated June [], 2004 (the **Agreement**), the Assignor has agreed to assign all of its Intellectual Property to the Assignee together with the goodwill in respect of the goods and services for which that Intellectual Property is used.
- (H) It is the intention of the parties that this Deed should be executed as a deed.

THIS DEED WITNESSES as follows:

15. DEFINITIONS

15.1 Terms not defined in this Deed have the meanings given to them in the Agreement.

15.2 **Assignor's IPR** means all of the Intellectual Property owned by the Assignor.

16. ASSIGNMENT

16.1 Pursuant to the Agreement and in consideration of the sum of €[Redacted], (receipt of which is acknowledged), the Assignor with full title guarantee irrevocably assigns to the Assignee the entire right, title and interest in the Assignor's IPR together with the goodwill in respect of any goods and services for which the Assignor's IPR are used, free of all liens, charges, options, licences and encumbrances.

16.2 This Deed includes the right of the Assignee to bring action and claim relief in respect of any infringement of any of the Assignor's IPR which occurred before the date of this Deed.

16.3 The Assignor agrees, at the request of the Assignee:

- (a) to transfer to the Assignee the Assignor's files and records (including those in the possession of its agents) relating to the filing, prosecution and maintenance of the Assignor's IPR; and
- (b) to execute any further documents and do all things which may be necessary to enable the Assignee to record this Deed in the records of any appropriate registry.

Table of Contents

16.4 The Assignor agrees to give the Assignee such assistance as the Assignee may reasonably require to enable or assist the Assignee to bring any action for infringement of any of the Assignor's IPR or to defend any attack against their validity.

17. WARRANTIES

17.1 The Assignor represents and warrants to the Assignee that:

- (a) it is the legal and beneficial owner of the Assignor's IPR free of all liens, charges, options, licences and encumbrances;
- (b) the use of the Assignor's IPR in the manner they are used by the Assignor at the date of this Deed will not infringe any right of the Assignor or of any other person; and
- (c) as far as it is aware, no third party has infringed the Assignor's IPR.

18. GENERAL

18.1 This Deed may be executed in any number of counterparts each of which when executed and delivered shall be an original, and all the counterparts together shall constitute the same instrument.

18.2 This Deed shall inure to the benefit of and be binding upon the parties, their respective successors and assigns. The Assignee may freely assign or transfer the full benefit of this Deed and all rights assigned hereunder to any third party.

18.3 If any provision of this Deed is found by a court of competent jurisdiction to be invalid or otherwise unenforceable the remaining provisions shall continue in full force and effect.

18.4 To the extent this Deed is inconsistent or otherwise conflicts with any existing agreement(s) between the parties relating to the Assignor's IPR, this Deed shall have precedence to the extent of any such inconsistency or conflict.

18.5 No delay or indulgence by any party in enforcing any provision of this Deed shall prejudice or restrict that party's rights and any waiver shall only be deemed given if in writing and signed by an authorised representative of the party giving such waiver. A waiver given on one occasion shall not be deemed a waiver on any subsequent occasion.

18.6 Each party represents that it is entering into this Deed as principal and not as agent of any other party.

19. GOVERNING LAW

19.1 This Deed is governed by and shall be construed in accordance with English law and the parties submit to the jurisdiction of the English courts for all purposes relating to this Deed.

IN WITNESS of which each of the parties has executed this assignment as a deed.

[Table of Contents](#)

EXECUTED as a DEED by:

MKY FINANCIAL SOFTWARE LIMITED acting by [*name of director*] and [*name of director / secretary*]

By: _____

Director

Director/Secretary

Date:

EXECUTED as a DEED by:

FACTSET EUROPE S.À.R.L. acting by [*name of director*] and [*name of director / secretary*]

By: _____

Director

Director/Secretary

Date:

SUBSIDIARIES OF THE COMPANY

FactSet Data Systems, Inc.
FactSet France, Inc.
FactSet GmbH
FactSet Limited
FactSet Mergerstat, LLC
CallStreet, LLC
FactSet Pacific, Inc.
Innovative Systems Techniques, Inc.
LionShares Europe S.A.S.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-22319, 333-59839, 333-56870 and 333-57880) of FactSet Research Systems Inc. of our report dated September 20, 2004 relating to the financial statements and financial statement schedule, which appear in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
November 10, 2004

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Philip A. Hadley, Chief Executive Officer of FactSet Research Systems Inc., certify that:

1. I have reviewed this annual report on Form 10-K of FactSet Research Systems Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2004

/s/ PHILIP A. HADLEY

Philip A. Hadley
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Ernest S. Wong, Chief Financial Officer of FactSet Research Systems Inc., certify that:

1. I have reviewed this annual report on Form 10-K of FactSet Research Systems Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2004

/s/ ERNEST S. WONG

Ernest S. Wong
Chief Financial Officer

FACTSET RESEARCH SYSTEMS INC.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of FactSet Research Systems Inc. (the "Company") on Form 10-K for the period ending August 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Philip A. Hadley, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies, subject to the disclosures therein, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PHILIP A. HADLEY

Philip A. Hadley
Chairman and Chief Executive Officer
November 10, 2004

FACTSET RESEARCH SYSTEMS INC.
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of FactSet Research Systems Inc. (the "Company") on Form 10-K for the period ending August 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ernest S. Wong, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies, subject to the disclosures therein, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ERNEST S. WONG

Ernest S. Wong
Chief Financial Officer
November 10, 2004