INFORMATICA CORP
Form 10-Q
August 05, 2010

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

FORM 10-Q

R Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2010

OR

£ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-25871

INFORMATICA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	77-0333710
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Cardinal Way
Redwood City, California 94063
(Address of principal executive offices, including zip code)

(650) 385-5000
(Registrant's telephone number, including area code)

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 (the "Exchange Act") 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 R No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer R Accelerated filer £ Non-accelerated filer £ Smaller reporting company £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). £ Yes R No

As of July 30, 2010, there were approximately 92,545,000 shares of the registrant's common stock outstanding.

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INFORMATICA CORPORATION

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PART I: FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INFORMATICA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$150,537	$159,197
Short-term investments	212,631	305,283
Accounts receivable, net of allowances of $4,385 and $3,454, respectively	107,789	110,653
Deferred tax assets	22,222	23,673
Prepaid expenses and other current assets	21,518	15,251
Total current assets	514,697	614,057
Property and equipment, net	8,402	7,928
Goodwill	397,583	287,068
Other intangible assets, net	86,883	63,586
Long-term deferred tax assets	27,408	8,259
Other assets	7,767	8,724
Total assets	$1,042,740	$989,622
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$8,778	$4,274
Accrued liabilities	42,778	37,367
Accrued compensation and related expenses	43,394	41,523
Income taxes payable	5,934	12,949
Accrued facilities restructuring charges	19,081	19,880
Deferred revenues	147,433	139,629
Convertible senior notes	201,000	—
Total current liabilities	468,398	255,622
Convertible senior notes	—	201,000
Accrued facilities restructuring charges, less current portion	27,398	32,845
Long-term deferred revenues	3,919	4,531
Long-term deferred tax liabilities	333	516
Long-term income taxes payable	13,085	11,995
Total liabilities	513,133	506,509
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock	92	90
Additional paid-in capital	463,233	434,262

Accumulated other comprehensive loss	(12,668)	(968)
Retained earnings	78,950	49,729
Total stockholders' equity	529,607	483,113
Total liabilities and stockholders' equity	$1,042,740	$989,622

See accompanying notes to condensed consolidated financial statements.

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INFORMATICA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues:				
License	$70,016	$48,730	$125,063	$92,789
Service	85,645	68,614	165,728	133,613
Total revenues	155,661	117,344	290,791	226,402
Cost of revenues:				
License	1,143	628	2,108	1,376
Service	25,041	18,374	48,098	36,846
Amortization of acquired technology	3,616	1,859	6,388	3,416
Total cost of revenues	29,800	20,861	56,594	41,638
Gross profit	125,861	96,483	234,197	184,764
Operating expenses:				
Research and development	26,801	18,928	50,379	37,111
Sales and marketing	60,053	46,444	111,472	87,882
General and administrative	10,865	10,995	22,273	21,801
Amortization of intangible assets	2,355	2,434	5,065	4,485
Facilities restructuring charges	336	595	992	1,404
Acquisitions and other	—	—	3,649	—
Total operating expenses	100,410	79,396	193,830	152,683
Income from operations	25,451	17,087	40,367	32,081
Interest income	849	1,566	1,800	3,356
Interest expense	(1,576)	(1,581)	(3,156)	(3,252)
Other income, net	33	8	2,013	775
Income before provision for income taxes	24,757	17,080	41,024	32,960
Provision for income taxes	7,330	5,091	11,803	9,912
Net income	$17,427	$11,989	$29,221	$23,048
Basic net income per common share	$0.19	$0.14	$0.32	$0.26
Diluted net income per common share	$0.17	$0.13	$0.29	$0.25
Shares used in computing basic net income per common share	91,673	87,198	91,213	87,378
Shares used in computing diluted net income per common share	107,959	100,692	107,701	101,019

See accompanying notes to condensed consolidated financial statements.

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INFORMATICA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2010	2009
Operating activities:		
Net income	$ 29,221	$ 23,048
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,279	2,698
Allowance for doubtful accounts	33	297
Gain on sale of investment in equity interests	(1,824)	—
Gain on early extinguishment of debt	—	(337)
Stock compensation	11,061	8,763
Deferred income taxes	(1,009)	(404)
Tax benefits from stock compensation	7,974	1,621
Excess tax benefits from stock compensation	(6,077)	(1,366)
Amortization of intangible assets and acquired technology	11,453	7,901
Non-cash facilities restructuring charges	992	1,404
Other non-cash items	384	116
Changes in operating assets and liabilities:		
Accounts receivable	12,097	10,538
Prepaid expenses and other assets	1,078	(1,289)
Accounts payable and other current liabilities	(2,377)	(9,330)
Income taxes payable	(4,379)	379
Accrued facilities restructuring charges	(7,158)	(6,308)
Deferred revenues	4,849	(5,779)
Net cash provided by operating activities	59,597	31,952
Investing activities:		
Purchases of property and equipment	(3,213)	(1,800)
Purchases of investments	(129,009)	(222,874)
Purchase of investment in equity interest	(1,500)	—
Sale of investment in equity interest	4,824	—
Maturities of investments	136,863	191,394
Sales of investments	84,638	25,138
Business acquisitions, net of cash acquired	(168,777)	(58,963)
Net cash used in investing activities	(76,174)	(67,105)
Financing activities:		
Net proceeds from issuance of common stock	22,286	13,793
Repurchases and retirement of common stock	(10,651)	(9,021)
Withholding taxes related to restricted stock units net share settlement	(1,697)	—
Repurchases of convertible senior notes	—	(19,200)
Excess tax benefits from stock compensation	6,077	1,366
Net cash provided by (used in) financing activities	16,015	(13,062)
Effect of foreign exchange rate changes on cash and cash equivalents	(8,098)	2,561
Net decrease in cash and cash equivalents	(8,660)	(45,654)

Cash and cash equivalents at beginning of period		159,197		179,874
Cash and cash equivalents at end of period	$	150,537	$	134,220

See accompanying notes to condensed consolidated financial statements.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements of Informatica Corporation ("Informatica," or the "Company") have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America. However, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed, or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the financial statements include all normal and recurring adjustments that are necessary to fairly present the results of the interim periods presented. All of the amounts included in this Quarterly Report on Form 10-Q related to the condensed consolidated financial statements and notes thereto as of and for the three and six months ended June 30, 2010 and 2009 are unaudited. The interim results presented are not necessarily indicative of results for any subsequent interim period, the year ending December 31, 2010, or any other future period.

The preparation of the Company's condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates, judgments, and assumptions. The Company believes that the estimates, judgments, and assumptions upon which it relies are reasonable based on information available at the time that these estimates, judgments, and assumptions are made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates and actual results, Informatica's financial statements would be affected. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also instances that management's judgment in selecting an available alternative would not produce a materially different result.

These unaudited, condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC. The condensed consolidated balance sheet as of December 31, 2009 has been derived from the audited consolidated financial statements of the Company.

Revenue Recognition

The Company derives its revenues from software license fees, maintenance fees, and professional services, which consist of consulting and education services. The Company recognizes revenue in accordance with Software Revenue Recognition (ASC 985-605-25), and the Securities and Exchange Commission's Staff Accounting Bulletin No. 104 ("SAB No. 104"), Revenue Recognition, and other authoritative accounting literature.

Under ASC 985-605-25, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection is probable.

Persuasive evidence of an arrangement exists. The Company determines that persuasive evidence of an arrangement exists when it has a written contract, signed by both the customer and the Company, and written purchase authorization.

Delivery has occurred. Software is considered delivered when title to the physical software media passes to the customer or, in the case of electronic delivery, when the customer has been provided with the access codes to download and operate the software.

Fee is fixed or determinable. The Company considers arrangements with extended payment terms not to be fixed or determinable. If the license fee in an arrangement is not fixed or determinable, revenue is recognized as payments become due. Revenue arrangements with resellers and distributors require evidence of sell-through, that is, persuasive evidence that the products have been sold to an identified end user. The Company's standard agreements do not contain product return rights.

Collection is probable. The Company assesses first the credit-worthiness and collectability at a country level based on the country's overall economic climate and general business risk. Then, for the customers in the countries that are deemed credit-worthy, it assesses credit and collectability based on their payment history and credit profile. When a customer is not deemed credit-worthy, revenue is recognized at the time that payment is received.

INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company also enters into Original Equipment Manufacturer (“OEM”) arrangements that provide for license fees based on inclusion of technology and/or products in the OEM’s products. These arrangements provide for fixed and irrevocable royalty payments. The Company recognizes royalty payments as revenues based on the royalty report that it receives from the OEMs. In the case of OEMs with fixed royalty payments, revenue is recognized upon execution of the agreement, delivery of the software, and when all other criteria for revenue recognition have been met.

Multiple contracts with a single counterparty executed within close proximity of each other are evaluated to determine if the contracts should be combined and accounted for as a single arrangement. The Company recognizes revenues net of applicable sales taxes, financing charges absorbed by Informatica, and amounts retained by our resellers and distributors, if any.

The Company’s software license arrangements include the following multiple elements: license fees from our core software products and/or product upgrades that are not part of post-contract services, maintenance fees, consulting, and/or education services. The Company uses the residual method to recognize license revenue when the license arrangement includes elements to be delivered at a future date and vendor-specific objective evidence (“VSOE”) of fair value exists to allocate the fee to the undelivered elements of the arrangement. VSOE is based on the price charged when an element is sold separately. If VSOE does not exist for any undelivered software product element of the arrangement, all revenue is deferred until all elements have been delivered, or VSOE has been established. If VSOE does not exist for any undelivered services elements of the arrangement, all revenue is recognized ratably over the period that the services are expected to be performed. If the software arrangement includes significant modification or customization of the software, software license revenue is recognized as the consulting services revenue is recognized.

The Company recognizes maintenance revenues, which consist of fees for ongoing support and product updates, ratably over the term of the contract, typically one year.

Consulting revenues are primarily related to implementation services and product configurations performed on a time-and-materials basis and, occasionally, on a fixed fee basis. Education services revenues are generated from classes offered at both Company and customer locations. Revenues from consulting and education services are recognized as the services are performed.

Other revenues, consisting of software subscription and cloud services revenues (which are not material at this time but are growing), are generally recognized as the services are performed. Cloud services is a model of software deployment whereby a vendor licenses an application to customers for use as a service on demand.

Deferred revenues include deferred license, maintenance, consulting, education, and other services revenues. For customers not deemed credit-worthy, the Company’s practice is to net unpaid deferred revenue for that customer against the related receivable balance.

Fair Value Measurement of Financial Assets and Liabilities

Fair Value Measurements and Disclosures (ASC 820-10-35) establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Further, ASC 820-10-35 allows the Company to measure the fair value of its financial assets and liabilities based on one or more of the three following valuation techniques:

Market approach. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost approach. Amount that would be required to replace the service capacity of an asset (replacement cost); and

Income approach. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the fair value measurement classification of Informatica as of June 30, 2010 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds (1)	$19,821	$19,821	$—	$ —
Marketable securities (2)	212,631	—	212,631	—
Total money market funds and marketable securities	232,452	19,821	212,631	—
Investment in equity interest (3)	1,500	—	—	1,500
Total	$233,952	$19,821	$212,631	$ 1,500
Liabilities:				
Foreign currency derivatives (5)	$157	$—	$157	$ —
Convertible senior notes	255,270	255,270	—	—
Total	$255,427	$255,270	$157	$ —

The following table summarizes the fair value measurement classification of Informatica as of December 31, 2009 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds (1)	$10,895	$10,895	$—	$ —
Marketable securities (2)	306,283	—	306,283	—
Total money market funds and marketable securities	317,178	10,895	306,283	—
Investment in equity interest (3)	3,000	—	—	3,000
Foreign currency derivatives (4)	1	—	1	—
Total	$320,179	$10,895	$306,284	$ 3,000
Liabilities:				
Foreign currency derivatives (5)	$206	$—	$206	$ —
Convertible senior notes	257,055	257,055	—	—
Total	$257,261	$257,055	$206	$ —

(1) Included in cash and cash equivalents on the condensed consolidated balance sheets.

(2) Included in either cash and cash equivalents or short-term investments on the condensed consolidated balance sheets.

(3) Included in other non-current assets on the condensed consolidated balance sheets.

(4) Included in prepaid expenses and other current assets on the condensed consolidated balance sheets.

(5) Included in accrued liabilities on the condensed consolidated balance sheets.

The Company has classified its convertible debt as Level I, according to ASC 820-10-35 since it has quote prices available in active markets for identical assets. The estimated fair value of the Company's Convertible Senior Notes as of June 30, 2010, based on the closing price as of June 30, 2010 (the last trading day of the respective period) at the Over-the-Counter market, was $255.3 million.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Informatica uses a market approach for determining the fair value of all its Level 1 and Level 2 marketable securities financial assets and Convertible Senior Notes liabilities.

To value its money market funds, the Company uses valuations based on quoted prices in active markets for identical assets that the Company has the ability to access.

Informatica uses the following methodology to determine the fair value of its U.S. government and agency notes and bonds, municipal securities, and corporate bonds aggregating $205 million and $280 million at June 30, 2010 and December 31, 2009, respectively. These securities generally have market prices from multiple sources; therefore, the Company uses a “consensus price” or a weighted average price for each security. Market prices for these securities are received from a variety of industry standard data providers (e.g., Bloomberg), security master files from large financial institutions, and other third-party sources. These multiple prices are used as inputs into a distribution-curve-based algorithm to determine the daily market value.

Informatica uses the following methodology to determine the fair value of its commercial paper and certificates of deposit aggregating $7 million and $26 million at June 30, 2010 and December 31, 2009, respectively. The Company uses mathematical calculations to arrive at fair value for these securities, which generally have short maturities and infrequent secondary market trades. For example, in the absence of any observable transactions, the Company may accrete from purchase price at purchase date to face value at maturity. In the event that a transaction is observed on the same security in the market place, the price on that subsequent transaction clearly reflects the market price on that day, and Informatica will adjust the price in the system to the observed transaction price and follow a revised accretion schedule to determine the daily price.

Foreign Currency Derivatives and Hedging Instruments

Informatica uses the income approach to value the derivatives, using observable Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated but not compelled to transact. Level 2 inputs are limited to quoted prices that are observable for the asset and liabilities, which include interest rates and credit risk. The Company has used mid-market pricing as a practical expedient for fair value measurements. Key inputs for currency derivatives are the spot rates, forward rates, interest rates, and credit derivative markets. The spot rate for each currency is the same spot rate used for all balance sheet translations at the measurement date and is sourced from the Federal Reserve Bulletin. The following values are interpolated from commonly quoted intervals available from Bloomberg: forward points and the London Interbank Offered Rate (LIBOR) used to discount and determine the fair value of assets and liabilities. One-year credit default swap spreads identified per counterparty at month end in Bloomberg are used to discount derivative assets for counterparty non-performance risk, all of which have terms of 13 months or less. The Company discounts derivative liabilities to reflect the Company’s own potential non-performance risk to lenders and has used the spread over LIBOR on its most recent corporate borrowing rate.

The counterparties associated with Informatica’s foreign currency forward contracts are large credit-worthy financial institutions and the derivatives transacted with these entities are relatively short in duration; therefore, the Company does not consider counterparty concentration and non-performance material risks at this time. Both the Company and the counterparties are expected to perform under the contractual terms of the instruments. See Note 5. Other Comprehensive Income, Note 6. Derivative Financial Instruments, and Note 12. Commitments and Contingencies, of Notes to Condensed Consolidated Financial Statements for a further discussion.

Informatica made a $1.5 million investment in the preferred stock of a privately held company in February 2010, which was classified as Level 3 for value measurement purposes. In determining the fair value of this investment, the Company compares the cash flow of the entity against its own cash flow assumptions at the time that the investment was made.

During the first quarter of 2010, Informatica received $4.8 million for its $3.0 million investment in another privately held company due to the acquisition of such company. As a result of this transaction, the Company recorded a gain of $1.8 million in other income for the three months ended March 31, 2010.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Value of Financial Instruments, Concentrations of Credit Risk, and Credit Evaluations

The fair value of the Company’s cash, cash equivalents, short-term investments, accounts receivable, and accounts payable approximates their respective carrying amounts due to their short-term maturity.

Financial instruments, which subject the Company to concentrations of credit risk, consist primarily of cash equivalents, investments in marketable securities, and trade accounts receivable. The Company maintains its cash and cash equivalents and investments with high-quality financial institutions.

The Company performs ongoing credit evaluations of its customers, which are primarily located in the United States, Canada, and Europe, and generally does not require collateral. The Company makes judgments as to its ability to collect outstanding receivables and provide allowances for the portion of receivables when collection becomes doubtful. Provisions are made based upon a specific review of all significant outstanding invoices. For those invoices not specifically reviewed, provisions are provided at differing rates, based upon the age of the receivable. In determining these percentages, the Company analyzes its historical collection experience and current economic trends. If the historical data it uses to calculate the allowance for doubtful accounts does not reflect the future ability to collect outstanding receivables, additional provisions for doubtful accounts may be needed and the future results of operations could be materially affected. The Company evaluates its counterparties associated with the Company’s forward foreign exchange contracts at least quarterly as part of its cash flow hedge program. Since all these counterparties are large creditworthy commercial banking institutions, the Company does not consider counterparty non-performance a material risk.

Note 2. Cash, Cash Equivalents, and Short-Term Investments

The Company’s marketable securities are classified as available-for-sale as of the balance sheet date and are reported at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive income in stockholders’ equity, net of tax. Realized gains and losses and permanent declines in value, if any, on available-for-sale securities are reported in other income or expense as incurred.

Realized gains recognized for the three months ended June 30, 2010 and 2009 were $5,000 and $6,000, respectively. Realized gains recognized for the six months ended June 30, 2010 and 2009 were $76,000 and $9,000, respectively. The realized gains are included in other income of the condensed consolidated statements of income for the respective periods. The cost of securities sold was determined based on the specific identification method. The Company sold approximately $35 million of its investment in marketable securities in December 2009 in anticipation of its cash requirement for the acquisition of Siperian.

The following is a summary of the Company’s investments as of June 30, 2010 and December 31, 2009 (in thousands):

	June 30, 2010			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash	$130,716	$—	$—	$130,716
Cash equivalents:				

Money market funds	19,821	—	—	19,821
Total cash equivalents	19,821	—	—	19,821
Total cash and cash equivalents	150,537	—	—	150,537
Short-term investments:				
Certificates of deposit	2,160	—	—	2,160
Commercial paper	4,994	3	—	4,997
Corporate notes and bonds	100,362	287	(213)	100,436
Federal agency notes and bonds	74,283	93	(1)	74,375
U.S. government notes and bonds	13,898	38	—	13,936
Municipal notes and bonds	16,714	14	(1)	16,727
Total short-term investments	212,411	435	(215)	212,631
Total cash, cash equivalents, and short-term investments *	$362,948	$435	$(215)	$363,168

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* Total estimated fair value above included $232.5 million comprised of cash equivalents and short-term investments at June 30, 2010.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash	$147,302	$—	$—	$147,302
Cash equivalents:				
Money market funds	10,895	—	—	10,895
Municipal notes and bonds	1,000	—	—	1,000
Total cash equivalents	11,895	—	—	11,895
Total cash and cash equivalents	159,197	—	—	159,197
Short-term investments:				
Certificates of deposit	5,040	—	—	5,040
Commercial paper	20,953	—	—	20,953
Corporate notes and bonds	63,168	364	(42)	63,490
Federal agency notes and bonds	143,840	200	(252)	143,788
U.S. government notes and bonds	24,515	44	(10)	24,549
Municipal notes and bonds	47,387	88	(12)	47,463
Total short-term investments	304,903	696	(316)	305,283
Total cash, cash equivalents, and short-term investments *	$464,100	$696	$(316)	$464,480

* Total estimated fair value above included $317.2 million comprised of cash equivalents and short-term investments at December 31, 2009.

In accordance with ASC 320, Investments – Debt and Equity Securities, Informatica considers the investment category and the length of time that an individual security has been in continuous unrealized loss position to make a decision that the investment is other-than-temporary impaired.

The following table summarizes the fair value and gross unrealized losses related to available-for-sale securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2010 (in thousands):

	Less Than 12 Months	
	Fair Value	Gross Unrealized Losses
Corporate notes and bonds	$45,086	$(213)
Federal agency notes and bonds	5,006	(1)
Municipal notes and bonds	2,436	(1)
	$52,528	$(215)

Informatica uses a market approach for determining the fair value of all its marketable securities and money market funds, which it has classified as Level 2 and Level 1, respectively. The changes in value of these investments are primarily related to changes in interest rates and are considered to be temporary in nature.

The following table summarizes the cost and estimated fair value of the Company's cash equivalents and short-term investments by contractual maturity at June 30, 2010 (in thousands):

	Cost	Fair Value
Due within one year	$162,049	$162,285
Due one year to two years	46,883	46,853
Due after two years	23,300	23,314
Total	$232,232	$232,452

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Goodwill and Intangible Assets

The carrying amounts of intangible assets other than goodwill as of June 30, 2010 and December 31, 2009 are as follows (in thousands):

	June 30, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Developed and core technology	$86,209	$ (28,368)	$57,841	$55,350	$ (22,048)	$33,302
Customer relationships	33,397	(17,670)	15,727	31,426	(14,029)	17,397
Vendor relationships	7,908	(1,825)	6,083	7,908	(992)	6,916
Other:						
Trade names	2,494	(1,106)	1,388	2,494	(835)	1,659
Covenants not to compete	2,000	(1,417)	583	2,000	(1,217)	783
Patents	3,720	(379)	3,341	3,720	(191)	3,529
In-process research and development	1,920	—	1,920	—	—	—
	$137,648	$ (50,765)	$86,883	$102,898	$ (39,312)	$63,586

Amortization expense of intangible assets was $6.0 million and $4.3 million for the three months ended June 30, 2010 and 2009, respectively, and $11.5 million and $7.9 million for the six months ended June 30, 2010 and 2009, respectively. The Company's weighted-average amortization period is six years for developed and core technology; is five years for customer relationships, vendor relationships, trade names, and covenants not to compete; and is ten years for patents.

As of June 30, 2010, the amortization expense related to identifiable intangible assets in future periods is expected to be as follows (in thousands):

	Acquired Technology	Other Intangible Assets	Total Intangible Assets
Remaining 2010	$6,883	$4,453	$11,336
2011	17,823	7,636	25,459
2012	15,887	5,685	21,572
2013	12,518	4,954	17,472
2014	3,727	2,300	6,027
Thereafter	1,087	2,010	3,097
Total expected amortization expense	$57,925	$27,038	$84,963

The increase of $30.9 million in the gross carrying amount of developed and core technology was primarily due to the intangibles of $21.3 million and $9.8 million acquired from Siperian and 29West, respectively. The increase of $2.0 million in the gross carrying amount of customer relationships was primarily due to the intangibles of $1.6 million and $0.6 million acquired from Siperian and 29West, respectively. See Note 15. Acquisitions, of Notes to Condensed

Consolidated Financial Statements for a further discussion. In addition, $2.3 million of developed and core technology, and $3.7 million of customer relationships at June 30, 2010, related to the Identity Systems and PowerData acquisitions, were recorded in European local currencies; therefore, the gross carrying amount and accumulated amortization are subject to periodic translation adjustments.

The Company has acquired certain customer relationships for approximately $13.3 million from Applimation, AddressDoctor, Agent Logic, Siperian, and 29West acquisitions, which consist of software maintenance agreements. These renewable agreements are usually for a duration of one year and renewable afterward. The costs of renewal of these contracts are reflected in the cost of service revenues.

In the first quarter of 2010, in conjunction with our acquisition of Siperian, we recorded in-process research and development (IPR&D) of $1.9 million. The IPR&D capitalized costs were associated with software development efforts in process at the time of the business combination that had not yet achieved technological feasibility and no future alternative uses had been identified.

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INFORMATICA CORPORATION
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The change in the carrying amount of goodwill for the six months ended June 30, 2010 is as follows (in thousands):

	June 30, 2010
Beginning balance as of December 31, 2009	$287,068
Goodwill recorded in acquiring Siperian	78,360
Goodwill recorded in acquiring 29West	36,397
Local currency translation adjustments	(4,495)
Other adjustments	253
Ending balance as of June 30, 2010	$397,583

The goodwill acquired through the Siperian and 29West acquisitions is nondeductible for tax purposes.

Note 4. Convertible Senior Notes

On March 8, 2006, the Company issued and sold Convertible Senior Notes (“Notes”) with an aggregate principal amount of $230 million due 2026. The Company pays interest at 3.0% per annum to holders of the Notes, payable semi-annually on March 15 and September 15 of each year, commencing September 15, 2006. Each $1,000 principal amount of Notes is initially convertible, at the option of the holders, into 50 shares of our common stock prior to the earlier of the maturity date (March 15, 2026) or the redemption or repurchase of the Notes. The initial conversion price represented a premium of 29.28% relative to the last reported sale price of common stock of the Company on the NASDAQ Stock Market (Global Select) of $15.47 on March 7, 2006. The conversion rate is subject to certain adjustments. The conversion rate initially represents a conversion price of $20.00 per share. After March 15, 2011, the Company may from time to time redeem the Notes, in whole or in part, for cash, at a redemption price equal to the full principal amount of the Notes, plus any accrued and unpaid interest. Holders of the Notes may require the Company to repurchase all or a portion of their Notes at a purchase price in cash equal to the full outstanding principal amount of the Notes plus any accrued and unpaid interest on March 15, 2011, March 15, 2016, and March 15, 2021, or upon the occurrence of certain events including a change in control.

Pursuant to a Purchase Agreement (the “Purchase Agreement”), the Notes were sold for cash consideration in a private placement to an initial purchaser, UBS Securities LLC, an “accredited investor,” within the meaning of Rule 501 under the Securities Act of 1933, as amended (the “Securities Act”), in reliance upon the private placement exemption afforded by Section 4(2) of the Securities Act. The initial purchaser reoffered and resold the Notes to “qualified institutional buyers” under Rule 144A of the Securities Act without being registered under the Securities Act, in reliance on applicable exemptions from the registration requirements of the Securities Act. In connection with the issuance of the Notes, the Company filed a shelf registration statement with the SEC for the resale of the Notes and the common stock issuable upon conversion of the Notes. The Company also agreed to periodically update the shelf registration and to keep it effective until the earlier of the date the Notes or the common stock issuable upon conversion of the Notes is eligible to be sold to the public pursuant to Rule 144 of the Securities Act or the date on which there are no outstanding registrable securities. The Company has evaluated the terms of the call feature, redemption feature, and the conversion feature under applicable accounting literature, including Derivatives and Hedging (ASC 815) and Debt With Conversion and Other Options (ASC 470-20) and concluded that none of these features should be separately accounted for as derivatives.

In connection with the issuance of the Notes, the Company incurred $6.2 million of issuance costs, which primarily consisted of investment banker fees and legal and other professional fees. These costs are classified within Other Assets and are being amortized as a component of interest expense using the effective interest method over the life of the Notes from issuance through March 15, 2026. If the holders require repurchase of some or all of the Notes on the first repurchase date, which is March 15, 2011, the Company would accelerate amortization of the pro rata share of the unamortized balance of the issuance costs on such date. Also, if the Company repurchases some of the outstanding balance of the Notes, it would accelerate amortization of the pro rata share of the unamortized balance of the issuance costs at the time of such repurchases. If the holders require conversion of some or all of the Notes when the conversion requirements are met, the Company would accelerate amortization of the pro rata share of the unamortized balance of the issuance cost to additional paid-in capital on such date. Amortization expenses related to the issuance costs were $68,000 each for both of the three-month periods ended June 30, 2010 and 2009, and $136,000 and $603,000 for the six-month periods ended June 30, 2010 and 2009, respectively. Interest expenses on the Notes were $1.5 million for each of the three-month period ended June 30, 2010 and 2009, respectively. Interest expenses on the Notes were $3.0 million and $3.1 million for the six-month periods ended June 30, 2010 and 2009, respectively. Interest payments of $3.0 million and $3.3 million were made in the six-month periods ended June 30, 2010 and 2009, respectively.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In October 2008, Informatica's Board of Directors authorized the repurchase of a portion of its outstanding Notes due in 2026 in privately negotiated transactions with the holders of the Notes. In the fourth quarter of 2008, Informatica repurchased $9.0 million of its outstanding Convertible Senior Notes at a cost of $7.8 million at a discount. As a result, $1.0 million, net of prorated deferred expenses written off for $0.2 million, is reflected in other income for the three months ended December 31, 2008. During the three-month period ended March 31, 2009, Informatica repurchased an additional $20.0 million of its outstanding Notes, net of $0.3 million gain due to early retirement of the Notes and $0.5 million due to recapture of prorated deferred expenses, at a discounted cost of $19.2 million.

The following table sets forth the ending balance of the Convertible Senior Notes as of June 30, 2010 and December 31, 2009 resulting from the repurchase activities in the respective periods (in thousands):

Balance at January 1, 2008	$230,000
Face amount of Notes repurchased during the fourth quarter of 2008	(9,000)
Balance at December 31, 2008	221,000
Face amount of Notes repurchased during the first quarter of 2009	(20,000)
Balance at December 31, 2009	201,000
Face amount of Notes repurchased during the first half of 2010	—
Balance at June 30, 2010	$201,000

Note 5. Other Comprehensive Income

Accumulated other comprehensive income refers to gains and losses that, under GAAP, are recorded as an element of stockholders' equity and are excluded from net income, net of tax. Other comprehensive income activity consisted of the following items (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income, as reported	$17,427	$ 11,989	$ 29,221	$ 23,048
Other comprehensive income:				
Unrealized gain (loss) on investments (1)	(68)	313	(98)	(183)
Cumulative translation adjustments (2)	(7,171)	5,662	(11,651)	2,831
Derivative gain (loss) (3)	(215)	292	49	(58)
Other comprehensive income	$9,973	$ 18,256	$ 17,521	$ 25,638

(1) The tax effects on unrealized gain (loss) on investments were $(43,000) and $200,000 for the three months ended June 30, 2010 and 2009, respectively, and $(62,000) and $(117,000) for the six months ended June 30, 2010 and 2009, respectively.
(2) The tax effects on cumulative translation adjustments were $(209,000) and $107,000 for the three months ended June 30, 2010 and 2009, respectively, and $(353,000) and $34,000 for the six-months ended June 30, 2010 and 2009, respectively.

(3) The tax effects on cash flow hedging gain (loss) were $(138,000) and $187,000 for the three months ended June 30, 2010 and 2009, respectively, and $31,000 and $(37,000) for the six months ended June 30, 2010 and 2009, respectively.

Ending balance of accumulated other comprehensive loss as of June 30, 2010 and December 31, 2009, respectively, consisted of the following (in thousands):

	June 30, 2010	December 31, 2009
Net unrealized gain on available-for-sale investments	$134	$232
Cumulative translation adjustments	(12,760)	(1,109)
Derivatives loss	(42)	(91)
Accumulated other comprehensive loss	$(12,668)	$(968)

Informatica did not have any other-than-temporary gain or loss reflected in accumulated other comprehensive loss as of June 30, 2010 and December 31, 2009.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Informatica determines the basis of the cost of a security sold and the amount reclassified out of other comprehensive income into statement of income based on specific identification.

The following table reflects the change in accumulated investment unrealized gain (loss) included in other comprehensive income for the six months ended June 30, 2010 and 2009 (in thousands):

	Six Months Ended June 30,	
	2010	2009
Net unrealized investment gain balance, net of tax effects at beginning of the year	$232	$879
Investment unrealized loss, net of tax effects	(98)	(183)
Net unrealized investment gain balance, net of tax effects at end of the period	$134	$696

The following table reflects the change in accumulated derivatives gain (loss) included in other comprehensive income for the six months ended June 30, 2010 and 2009 (in thousands):

	Six Months Ended June 30,	
	2010	2009
Net unrealized derivatives gain (loss) balance, net of tax effects at beginning of the year	$(91)	$51
Reclassified to the statement of income, net of tax effects	(18)	109
Derivatives gain (loss) for hedging transactions, net of tax effects	67	(167)
Net unrealized derivatives loss balance, net of tax effects at end of the period	$(42)	$(7)

See Note 1. Summary of Significant Accounting Policies, Note 6. Derivative Financial Instruments, and Note 12. Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements for a further discussion.

Note 6. Derivative Financial Instruments

The functional currency of Informatica's foreign subsidiaries is their local currencies, except for Informatica Cayman Ltd., which is in euros. The Company translates all assets and liabilities of its foreign subsidiaries into U.S. dollars at current exchange rates as of the applicable balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the period, and the gains and losses resulting from the translation of the foreign subsidiaries' financial statements are reported in accumulated other comprehensive income (loss), as a separate component of stockholders' equity. Net gains and losses resulting from foreign exchange transactions are included in other income or expense, net in the condensed consolidated statements of income.

Informatica's results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Indian rupee, Israeli shekel, euro, British pound sterling, Canadian dollar, Japanese yen, Brazilian real, and Australian dollar. The Company initiated certain cash flow hedge programs in an attempt to reduce the impact of certain foreign currency fluctuations starting in the fourth quarter of 2008. The purpose of these programs is to reduce the volatility of identified cash flows and expenses caused by movement in certain foreign currency exchange rates, in particular, the Indian rupee and Israeli shekel.Informatica is currently using

foreign exchange forward contracts to hedge certain non-functional currency anticipated expenses reflected in the intercompany accounts between Informatica U.S. and its two subsidiaries in India and Israel. Exposures resulting from fluctuations in the foreign currency exchange rates applicable to these foreign denominated expenses are covered through the Company's cash flow hedge programs initiated since the fourth quarter of 2008. The foreign exchange contracts initiated in 2008 expired in November 2009. In December 2009, the Company entered into some additional forward contracts with monthly expiration dates through January 18, 2011 for Indian rupees and Israeli shekels. The Company releases the amounts accumulated in other comprehensive income into earnings in the same period or periods during which the forecasted hedge transaction affects earnings.

Informatica has forecasted the amount of its anticipated foreign currency expenses based on its historical performance and its 2009 and 2010 financial plans. As of June 30, 2010, these foreign exchange contracts, carried at fair value, have a maturity of seven months or less. During the first half of 2010, the Company did not enter into any new forward exchange contracts, and the Company closed out approximately two foreign exchange contracts per month when the foreign currency denominated expenses were paid and any gain or loss on the contracts was offset against income.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Informatica and its subsidiaries do not enter into derivative contracts for speculative purposes.

As of June 30, 2010, a derivative loss of $42,000 was included in accumulated other comprehensive income, net of applicable taxes. The Company expects to reclassify this amount to its condensed consolidated statements of income during the remaining term of its foreign exchange forward contracts that expire on January 18, 2011.

Informatica evaluates prospectively as well as retrospectively the effectiveness of its hedge programs using statistical analysis at the inception of the hedge. Informatica uses the spot price method and excludes the time value of derivative instruments for determination of hedge effectiveness.

The effects of derivative instruments designated as cash flow hedges on the accumulated other comprehensive income and condensed consolidated statements of income for the three and six months ended June 30, 2010 and 2009, respectively, are as follows (in thousands):

	Three Months Ended June 30, 2010			Three Months Ended June 30, 2009		
	(Loss) Recognized (1)	Gain Reclassified (2)	Gain (Loss) Recognized (3)	(Loss) Recognized (1)	(Loss) Reclassified (2)	Gain Recognized (3)
Indian rupee	$(225)	$42	$(38)	$(260)	$(46)	$74
Israeli shekel	(82)	5	5	(104)	(68)	—
Total	$(307)	$47	$(33)	$(364)	$(114)	$74

	Six Months Ended June 30, 2010			Six Months Ended June 30, 2009		
	Gain (Loss) Recognized (1)	Gain Reclassified (2)	Gain (Loss) Recognized (3)	(Loss) Recognized (1)	(Loss) Reclassified (2)	Gain Recognized (3)
Indian rupee	$ 149	$ 23	$ (24)	$ (105)	$ (66)	$ 178
Israeli shekel	(38)	8	1	(168)	(113)	14
Total	$ 111	$ 31	$ (23)	$ (273)	$ (179)	$ 192

(1) Amount of gain and loss recognized in accumulated other comprehensive income (effective portion).

(2) Amount of gain and loss reclassified from accumulated other comprehensive income into the operating expenses of condensed consolidated statements of income (effective portion).

(3) Amount of gain and loss recognized in income on derivatives for the amount excluded from effectiveness testing located in operating expenses of condensed consolidated statements of income. The Company did not have any ineffective portion of derivatives recorded in the condensed consolidated statements of income.

See Note 1. Summary of Significant Accounting Policies, Note 5. Other Comprehensive Income, and Note 12. Commitments and Contingencies, of Notes to Condensed Consolidated Financial Statements for a further discussion.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables reflect the fair value amounts for derivatives designated and not designated as hedging instruments at June 30, 2010 and December 31, 2009 (in thousands):

Derivatives Designated as Hedging Instruments under ASC 815:	Derivative Assets at June 30, 2010 (1)	Derivative Liabilities at June 30, 2010 (2)
Indian rupee	$—	$102
Israeli shekel	—	42
Total	$—	$144

Derivatives Designated as Hedging Instruments under ASC 815:	Derivative Assets at December 31, 2009 (1)	Derivative Liabilities at December 31, 2009 (2)
Indian rupee	$—	$206
Israeli shekel	1	—
Total	$1	$206

Derivatives Not Designated as Hedging Instruments under ASC 815:	Derivative Assets at June 30, 2010 (1)	Derivative Liabilities at June 30, 2010 (2)
Indian rupee	$—	$5
Israeli shekel	—	8
Total	$—	$13

There were no derivative assets or liabilities not designated as hedging instruments at December 31, 2009.

(1) Included in prepaid expenses and other current assets on the condensed consolidated balance sheets.

(2) Included in accrued liabilities on the condensed consolidated balance sheets.

The gain (loss) recognized in other income, net for non-designated foreign currency forward contracts for the three and six months ended June 30, 2010 and 2009 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Indian rupee	$11	$99	$40	$54

Israeli shekel	(7)	88	(11)	102
Total	$4	$187	$29	$156

Note 7. Stock Repurchases and Retirement of Convertible Senior Notes

The purpose of Informatica's stock repurchase program is, among other things, to help offset the dilution caused by the issuance of stock under our employee stock option and employee stock purchase plans. The number of shares acquired and the timing of the repurchases are based on several factors, including general market conditions and the trading price of the Company's common stock. These purchases can be made from time to time in the open market and are funded from the Company's available working capital.

In April 2006, Informatica's Board of Directors authorized a stock repurchase program of up to $30 million of its common stock until April 2007. In April 2007, Informatica's Board of Directors authorized a stock repurchase program for up to an additional $50 million of its common stock. In April 2008, Informatica's Board of Directors authorized the repurchase of an additional $75 million of its common stock under the stock repurchase program. In October 2008, Informatica's Board of Directors approved expanding the repurchase program to include the repurchase of a portion of its outstanding Convertible Senior Notes ("Notes") due in 2026 in privately negotiated transactions with holders of the Notes. In January 2010, Informatica's Board of Directors authorized the

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repurchase of an additional $50 million of its outstanding common stock and Notes under the stock repurchase program. This repurchase program does not have an expiration date.

From April 2007 to June 30, 2010, the Company repurchased approximately 6,933,000 shares of its common stock pursuant to the repurchase program described above at a cost of $108 million and $29 million of its outstanding Notes at a cost of $27 million. The Company has approximately $39.7 million remaining from its current authorization to repurchase additional shares of its common stock or redeem a portion of its Notes under this program as of June 30, 2010.

The repurchased shares are retired and reclassified as authorized and unissued shares of common stock. The Company may continue to repurchase its outstanding common stock and Notes from time to time, as determined by management under programs approved by the Board of Directors.

The Company did not have any repurchases of its common stock pursuant to the stock repurchase program during the three months ended March 31, 2010. During the second quarter of 2010, the Company repurchased approximately 435,000 shares of its common stock at a cost of $10.7 million. There were no repurchases of the Notes during the six months ended June 30, 2010.

Note 8. Stock Compensation

Informatica grants restricted stock units ("RSUs") and stock options under its 2009 Employee Stock Incentive Plan. Informatica uses the Black-Scholes-Merton option pricing model to determine the fair value of option awards granted. The Company is using a blend of average historical and market-based implied volatilities for calculating the expected volatilities for employee stock options and market-based implied volatilities for its Employee Stock Purchase Plan ("ESPP"). The expected term of employee stock options granted is derived from historical exercise patterns of the options while the expected term of ESPP is based on the contractual terms. The risk-free interest rate for the expected term of the option and ESPP is based on the U.S. Treasury yield curve in effect at the time of grant.

Stock Compensation (ASC 718) requires the Company to estimate forfeiture rates at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical forfeitures to estimate its future forfeiture rates. The Company increased its forfeiture rate for stock options from 8% in 2009 to 10% in 2010, which did not materially impact its stock compensation. The forfeiture rate for RSUs remained at 10% for both 2009 and 2010.

The Company amortizes its stock compensation using a straight-line method over the vesting term of the awards.

The Company estimated the fair value of its stock compensation awards related to stock options granted using the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Option Grants:				
Expected volatility	34 – 38 %	42 %	34 – 38 %	42 – 48 %

Weighted-average volatility	34	%	42	%	35	%	46	%
Expected dividends	—		—		—		—	
Expected term of options (in years)	3.7		3.6		3.7		3.6	
Risk-free interest rate	2.0	%	1.7	%	1.9	%	1.6	%
ESPP:*								
Expected volatility	—		—		33	%	51	%
Weighted-average volatility	—		—		33	%	51	%
Expected dividends	—		—		—		—	
Expected term of ESPP (in years)	—		—		0.5		0.5	
Risk-free interest rate — ESPP	—		—		0.2	%	0.4	%

* ESPP purchases are made on the last day of January and July of each year.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The allocations of stock compensation for the three and six months ended June 30, 2010 and 2009 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Cost of service revenues	$653	$583	$1,315	$1,114
Research and development	1,751	1,173	3,360	2,291
Sales and marketing	1,793	1,578	3,566	2,945
General and administrative	1,382	1,230	2,820	2,413
Total stock compensation	$5,579	$4,564	$11,061	$8,763
Tax benefit of stock compensation	(1,155)	(958)	(2,295)	(1,847)
Total stock compensation, net of tax benefit	$4,424	$3,606	$8,766	$6,916

Note 9. Facilities Restructuring Charges

2004 Restructuring Plan

In October 2004, the Company announced a restructuring plan (“2004 Restructuring Plan”) related to the December 2004 relocation of the Company’s corporate headquarters within Redwood City, California. In 2005, the Company subleased the available space at the Pacific Shores Center under the 2004 Restructuring Plan. The Company recorded restructuring charges of approximately $103.6 million, consisting of $21.6 million in leasehold improvement and asset write-offs and $82.0 million related to estimated facility lease losses, which consist of the present value of lease payment obligations for the remaining three-year lease term (as of March 31, 2010) of the previous corporate headquarters, net of actual and estimated sublease income. The Company has actual and estimated sublease income, including the reimbursement of certain property costs such as common area maintenance, insurance, and property tax, net of estimated broker commissions of $2.8 million for the remainder of 2010, $5.7 million in 2011, $4.2 million in 2012, and $1.6 million in 2013.

Subsequent to 2004, the Company continued to record accretion on the cash obligations related to the 2004 Restructuring Plan. Accretion represents imputed interest and is the difference between the non-discounted future cash obligations and the discounted present value of these cash obligations. At June 30, 2010, the Company will recognize approximately $4.1 million of accretion as a restructuring charge over the remaining four years term of the lease as follows: $1.1 million for the remainder of 2010, $1.7 million in 2011, $1.0 million in 2012, and $0.3 million in 2013.

2001 Restructuring Plan

During 2001, the Company announced a restructuring plan (“2001 Restructuring Plan”) and recorded restructuring charges of approximately $12.1 million, consisting of $1.5 million in leasehold improvement and asset write-offs and $10.6 million related to the consolidation of excess leased facilities in the San Francisco Bay Area and Texas.

During 2002, the Company recorded additional restructuring charges of approximately $17.0 million, consisting of $15.1 million related to estimated facility lease losses and $1.9 million in leasehold improvement and asset write-offs. The Company calculated the estimated costs for the additional restructuring charges based on current market

information and trend analysis of the real estate market in the respective area.

In December 2004, the Company recorded additional restructuring charges of $9.0 million related to estimated facility lease losses. The restructuring accrual adjustments recorded in the third and fourth quarters of 2004 were the result of the relocation of its corporate headquarters within Redwood City, California in December 2004, an executed sublease for the Company’s excess facilities in Palo Alto, California during the third quarter of 2004, and an adjustment to management’s estimate of occupancy of available vacant facilities. In 2005, the Company subleased the available space at the Pacific Shores Center under the 2001 Restructuring Plan through May 2013, which was subsequently subleased until July 2013 under a December 2007 sublease agreement.

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INFORMATICA CORPORATION
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A summary of the activity of the accrued restructuring charges for the six months ended June 30, 2010 is as follows (in thousands):

	Accrued Restructuring Charges at December 31, 2009	Restructuring Charges	Adjustments	Net Cash Payment	Non-Cash Reclass	Accrued Restructuring Charges at June 30, 2010
2004 Restructuring Plan						
Excess lease facilities	$ 47,496	$1,195	$ (203)	$(6,406)	$(2,305)	$ 39,777
2001 Restructuring Plan						
Excess lease facilities	5,229	—	—	(752)	2,225	6,702
	$ 52,725	$1,195	$ (203)	$(7,158)	$(80)	$ 46,479

For the six months ended June 30, 2010, the Company recorded $1.2 million of restructuring charges from accretion charges related to the 2004 Restructuring Plan. Actual future cash requirements may differ from the restructuring liability balances as of June 30, 2010 if the Company is unable to sublease the excess leased facilities after the expiration of the subleases, there are changes to the time period that facilities are vacant, or the actual sublease income is different from current estimates. If the subtenants do not extend their subleases and the Company is unable to sublease any of the related Pacific Shores facilities during the remaining lease terms through 2013, restructuring charges could increase by approximately $0.9 million.

Inherent in the estimation of the costs related to the restructuring efforts are assessments related to the most likely expected outcome of the significant actions to accomplish the restructuring. The estimates of sublease income may vary significantly depending, in part, on factors that may be beyond the Company's control, such as the time periods required to locate and contract with suitable sublessees when the Company's existing sublessees vacate as well as the market rates at the time of entering into new sublease agreements.

Note 10. Income Taxes

The Company's effective tax rates were 30% and 29% for the three-month and six-month periods ended June 30, 2010, respectively, and 30% for both of the three-month and six-month periods ended June 30, 2009. The effective tax rates differed from the federal statutory rate of 35% primarily due to benefits of certain earnings from operations in lower-tax jurisdictions throughout the world, and the indirect benefit recorded as a result of the audit settlement offset by expense related to non-deductible stock compensation, nondeductible transaction costs, and the accrual of reserves related to uncertain tax positions. The Company has not provided for residual U.S. taxes in any of these lower-tax jurisdictions since it intends to indefinitely reinvest these earnings offshore.

In assessing the need for any additional valuation allowance in the quarter ended June 30, 2010, the Company considered all available evidence both positive and negative, including historical levels of income, legislative developments, expectations and risks associated with estimates of future taxable income, and ongoing prudent and feasible tax planning strategies. As a result of this analysis, consistent with prior quarters it was considered more likely than not that the Company's deferred tax assets that are not stock compensation related would be realizable. As a

result, the remaining valuation allowance is primarily related to deferred tax assets that were created through the benefit from stock option deductions on a "with" and "without" basis and recorded on the balance sheet with a corresponding valuation allowance prior to the Company's adoption of Stock Compensation (ASC 718). Pursuant to Stock Compensation (ASC 718-740-25-10), the benefit of these deferred tax assets will be recorded in the stockholders' equity when they are utilized on an income tax return to reduce the Company's taxes payable, and as such, they will not impact the Company's effective tax rate.

The unrecognized tax benefits related to Income Taxes (ASC 740), if recognized, would impact the income tax provision by $12.3 million and $10.0 million as of June 30, 2010 and 2009, respectively. The Company has elected to include interest and penalties as a component of tax expense. Accrued interest and penalties as of June 30, 2010 and 2009 were approximately $1.6 million and $0.3 million, respectively. As of June 30, 2010 the gross uncertain tax position is approximately $14.4 million.

The Company files U.S. federal income tax returns as well as income tax returns in various states and foreign jurisdictions. On June 30, 2010, Informatica filed a document with the Internal Revenue Service to effectively settle all remaining matters related to its examination for fiscal years 2005 and 2006. The estimated amount of the assessment was accrued for previously. Final adjustments

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will also need to be settled with all states in which Informatica filed during 2005 and 2006. The Company will be filing the appropriate documents and any associated taxes at various due dates over the next several months.

The Company has been informed by certain state and foreign taxing authorities that it was selected for examination. Most state and foreign jurisdictions have three or four open tax years at any point in time. The field work for certain state and foreign audits has commenced and is at various stages of completion as of June 30, 2010.

Although the outcome of any tax audit is uncertain, the Company believes that it has adequately provided in its financial statements for any additional taxes that it may be required to pay as a result of such examinations. The Company regularly assesses the likelihood of outcomes resulting from these examinations to determine the adequacy of its provision for income taxes, and believes its current reserve to be reasonable. If tax payments ultimately prove to be unnecessary, the reversal of these tax liabilities would result in tax benefits in the period that the Company determined such liabilities were no longer necessary. However, if an ultimate tax assessment exceeds its estimate of tax liabilities, an additional tax provision might be required.

Note 11. Net Income per Common Share

Basic net income per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share reflects the potential dilution of securities by adding other common stock equivalents, primarily stock options and common shares potentially issuable under the terms of the Convertible Senior Notes, to the weighted-average number of common shares outstanding during the period, if dilutive. Potentially dilutive securities have been excluded from the computation of diluted net income per share if their inclusion is anti-dilutive.

The calculation of basic and diluted net income per common share is as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income	$17,427	$11,989	$29,221	$23,048
Effect of convertible senior notes, net of related tax effects	961	961	1,922	2,099
Net income adjusted	$18,388	$12,950	$31,143	$25,147
Weighted-average shares of common stock used to compute basic net income per share (excluding unvested restricted stock)	91,673	87,198	91,213	87,378
Effect of dilutive common stock equivalents:				
Dilutive effect of unvested restricted stock units	317	76	372	38
Dilutive effect of employee stock options	5,919	3,368	6,066	3,271
Dilutive effect of convertible senior notes	10,050	10,050	10,050	10,332
Shares used in computing diluted net income per common share	107,959	100,692	107,701	101,019
Basic net income per common share	$0.19	$0.14	$0.32	$0.26

Diluted net income per common share	$0.17	$0.13	$0.29	$0.25

The diluted net income per common share calculation requires the dilutive effect of convertible securities to be reflected in the diluted net income per share by application of the “if-converted” method. This method assumes an add-back of interest and amortization of issuance cost, net of income taxes, to net income if the securities are converted. The Company determined that for the three and six months ended June 30, 2010 and 2009, the Convertible Senior Notes had a dilutive effect on diluted net income per share, and as such, it had an add-back of $1.0 million and $1.9 million for the three and six months ended June 30, 2010, respectively, and $1.0 million and $2.1 million for the same periods in 2009 in interest and issuance cost amortization, net of income taxes, to net income for the diluted net income per share calculation.

In calculating its diluted net income per common share, Informatica excluded 1.9 and 1.3 million of its options for the three months ended June 30, 2010 and 2009, respectively, and 1.5 million and 3.0 million of its options for the six months ended June 30, 2010 and 2009, respectively since the inclusion of these options would have been anti-dilutive.

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Note 12. Commitments and Contingencies

Lease Obligations

In December 2004, the Company relocated its corporate headquarters within Redwood City, California and entered into a new lease agreement. The initial lease term was from December 15, 2004 to December 31, 2007 with a three-year option to renew to December 31, 2010 at fair market value. In May 2007, the Company exercised its renewal option to extend the office lease term to December 31, 2010. In May 2009, the Company executed the lease amendment to further extend the lease term for another 3 years to December 31, 2013. The future minimum contractual lease payments are $1.7 million for the remainder of 2010, $3.4 million, $3.5 million, and $3.6 million for the years ending December 31, 2011, 2012, and 2013, respectively.

The Company entered into two lease agreements in February 2000 for two office buildings at the Pacific Shores Center in Redwood City, California, which was used as its former corporate headquarters from August 2001 through December 2004. The leases expire in July 2013. In 2001, a financial institution issued a $12.0 million letter of credit, which required the Company to maintain certificates of deposits as collateral until the leases expire in 2013. As of June 2008, however, the Company was no longer required to maintain certificates of deposits for this letter of credit related to its former corporate headquarters leases at the Pacific Shores Center in Redwood City, California.

The Company leases certain office facilities under various non-cancelable operating leases, including those described above, which expire at various dates through 2013 and require the Company to pay operating costs, including property taxes, insurance, and maintenance. Operating lease payments in the table below include approximately $53.1 million for operating lease commitments for facilities that are included in restructuring charges. See Note 9. Facilities Restructuring Charges, above, for a further discussion.

Future minimum lease payments as of June 30, 2010 under non-cancelable operating leases with original terms in excess of one year are summarized as follows (in thousands):

	Operating Leases	Sublease Income	Net
Remaining 2010	$13,537	$1,263	$12,274
2011	26,408	2,795	23,613
2012	26,208	2,028	24,180
2013	17,568	1,015	16,553
2014	1,847	—	1,847
Thereafter	1,964	—	1,964
	$87,532	$7,101	$80,431

Of these future minimum lease payments, the Company has accrued $46.5 million in the facilities restructuring accrual at June 30, 2010. This accrual includes the minimum lease payments of $53.1 million and an estimate for operating expenses of $14.8 million and sublease commencement costs associated with excess facilities and is net of estimated sublease income of $17.3 million and a present value discount of $4.1 million recorded in accordance with Accounting for Costs Associated with Exit or Disposal Activities (ASC 420).

Warranties

The Company generally provides a warranty for its software products and services to its customers for a period of three to six months and accounts for its warranties. The Company's software products' media are generally warranted to be free from defects in materials and workmanship under normal use, and the products are also generally warranted to substantially perform as described in certain Company documentation and the product specifications. The Company's services are generally warranted to be performed in a professional manner and to materially conform to the specifications set forth in a customer's signed contract. In the event there is a failure of such warranties, the Company generally will correct or provide a reasonable work-around or replacement product. The Company has provided a warranty accrual of $0.2 million as of June 30, 2010 and December 31, 2009. To date, the Company's product warranty expense has not been significant.

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Indemnification

The Company sells software licenses and services to its customers under contracts, which the Company refers to as the License to Use Informatica Software ("License Agreement"). Each License Agreement contains the relevant terms of the contractual arrangement with the customer and generally includes certain provisions for indemnifying the customer against losses, expenses, liabilities, and damages that may be awarded against the customer in the event the Company's software is found to infringe upon a patent, copyright, trademark, or other proprietary right of a third party. The License Agreement generally limits the scope of and remedies for such indemnification obligations in a variety of industry-standard respects, including but not limited to certain time and scope limitations and a right to replace an infringing product with a non-infringing product.

The Company believes its internal development processes and other policies and practices limit its exposure related to the indemnification provisions of the License Agreement. In addition, the Company requires its employees to sign a proprietary information and inventions agreement, which assigns the rights to its employees' development work to the Company. To date, the Company has not had to reimburse any of its customers for any losses related to these indemnification provisions, and no material claims against the Company are outstanding as of June 30, 2010. For several reasons, including the lack of prior indemnification claims and the lack of a monetary liability limit for certain infringement cases under the License Agreement, the Company cannot determine the maximum amount of potential future payments, if any, related to such indemnification provisions.

In addition, the Company indemnifies its officers and directors under the terms of indemnity agreements entered into with them, as well as pursuant to our certificate of incorporation, bylaws, and applicable Delaware law. To date, the Company has not incurred any costs related to these indemnifications.

The Company accrues for loss contingencies when available information indicates that it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated, in accordance with Contingencies (ASC 450).

Derivative Financial Instruments

Informatica uses foreign exchange forward contracts to hedge certain operational ("cash flow") exposures resulting from changes in foreign currency exchange rates. Such cash flow exposures result from portions of its forecasted expenditures denominated in currencies other than the U.S. dollar, primarily the Indian rupee and Israeli shekel. As of June 30, 2010, these foreign exchange contracts, carried at fair value, have a maturity of seven months or less. Informatica enters into these foreign exchange contracts to hedge forecasted operating expenditures in the normal course of business, and accordingly, they are not speculative in nature.

As of June 30, 2010, the notional amounts of the outstanding foreign exchange forward contracts that the Company committed to purchase in the fourth quarter of 2009 for the Indian rupees and Israeli shekels were $7.1 million and $2.0 million, respectively.

See Note 1. Summary of Significant Accounting Policies, Note 5. Other Comprehensive Income, and Note 6. Derivative Financial Instruments, of Notes to Condensed Consolidated Financial Statements for a further discussion.

Litigation

On November 8, 2001, a purported securities class action complaint was filed in the U.S. District Court for the Southern District of New York. The case is entitled In re Informatica Corporation Initial Public Offering Securities Litigation, Civ. No. 01-9922 (SAS) (S.D.N.Y.), related to In re Initial Public Offering Securities Litigation, 21 MC 92 (SAS) (S.D.N.Y.). Plaintiffs' amended complaint was brought purportedly on behalf of all persons who purchased our common stock from April 29, 1999 through December 6, 2000. It names as defendants Informatica Corporation, two of our former officers (together with the Company, the "Informatica defendants"), and several investment banking firms that served as underwriters of our April 29, 1999 initial public offering ("IPO") and September 28, 2000 follow-on public offering. The complaint alleges liability as to all defendants under Sections 11 and/or 15 of the Securities Act of 1933 and Sections 10(b) and/or 20(a) of the Securities Exchange Act of 1934, on the grounds that the registration statements for the offerings did not disclose that: (1) the underwriters had agreed to allow certain customers to purchase shares in the offerings in exchange for excess commissions paid to the underwriters; and (2) the underwriters had arranged for certain customers to purchase additional shares in the aftermarket at predetermined prices. The complaint also alleges that false analyst reports were issued. No specific damages are claimed.

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Similar allegations were made in other lawsuits challenging more than 300 other initial public offerings and follow-on offerings conducted in 1999 and 2000. The cases were consolidated for pretrial purposes. On February 19, 2003, the Court ruled on all defendants' motions to dismiss. The Court denied the motions to dismiss the claims under the Securities Act of 1933. The Court denied the motion to dismiss the Section 10(b) claim against Informatica and 184 other issuer defendants. The Court denied the motion to dismiss the Section 10(b) and 20(a) claims against the Informatica defendants and 62 other individual defendants.

The Company accepted a settlement proposal presented to all issuer defendants. In this settlement, plaintiffs will dismiss and release all claims against the Informatica defendants, in exchange for a contingent payment by the insurance companies collectively responsible for insuring the issuers in all of the IPO cases, and for the assignment or surrender of control of certain claims we may have against the underwriters. The Informatica defendants will not be required to make any cash payments in the settlement, unless the pro rata amount paid by the insurers in the settlement exceeds the amount of the insurance coverage. Any final settlement will require approval of the Court after class members are given the opportunity to object to the settlement or opt out of the settlement.

All parties in all lawsuits have reached a settlement which will not require the Company to contribute cash. The Court gave preliminary approval to the settlement on June 10, 2009 and gave final approval on October 6, 2009. Several objectors have filed notices of appeals of the final judgment dismissing the cases upon the settlement.

On July 15, 2002, the Company filed a patent infringement lawsuit against Acta Technology, Inc., now known as Business Objects Data Integration, Inc. ("BODI"), and the final judgment in the Company's favor includes a permanent injunction preventing BODI from shipping the infringing technology until the patent expires in 2019.

On August 21, 2007, JuxtaComm Technologies ("JuxtaComm") filed a complaint in the Eastern District of Texas against the Company and 20 other defendants, including Microsoft, IBM and Business Objects, for infringement of JuxtaComm's U.S. patent 6,195,662 ("System for Transforming and Exchanging Data Between Distributed Heterogeneous Computer Systems"). In its complaint, JuxtaComm sought unspecified monetary damages and permanent injunctive relief. This matter was settled in August 2009. The Company received a release and settlement of any past damages related to potential infringement of the subject patent and a non-exclusive, non-transferable, fully paid license for the subject patent.

On November 24, 2008, Data Retrieval Technologies LLC ("Data Retrieval") filed a complaint in the Western District of Washington against the Company and Sybase, Inc., alleging patent infringement of U.S. Patent Nos. 6,026,392 (the " 392 patent") and 6,631,382 (the " 382 patent"). On December 5, 2008, the Company and Sybase filed an action in the Northern District of California against Data Retrieval, Timeline, Inc. ("Timeline") and TMLN Royalty, LLC ("TMLN Royalty"), asserting declaratory relief claims for non-infringement and invalidity of the 392 and 382 patents. On January 15, 2009, we filed an answer to the complaint in the Western District of Washington and asserted declaratory relief counterclaims for non-infringement and invalidity of the 392 and 382 patents. In addition, on January 15, 2009, Informatica and Sybase filed a voluntary dismissal without prejudice of Timeline and TMLN Royalty in the Northern District of California action. On April 1, 2009, in the Northern District of California action, Data Retrieval filed an answer and asserted counterclaims for patent infringement of the 382 and 392 patents. On April 8, 2009, the Court in the Western District of Washington transferred that action to the Northern District of California. On April 21, 2009, the Company filed its reply to Data Retrieval's counterclaims in the Northern District of California. Following Data Retrieval's service of its Disclosure of Asserted Claims and Preliminary Infringement Contentions on June 8, 2009, on June 18, 2009, the Company filed a motion for partial summary judgment of the

following claims and issues: (1) non-infringement of the 382 patent; (2) non-infringement of the unasserted claims (claims 2-25) of the 392 patent; and (3) no infringement of either patent-in-suit by the Informatica PowerCenter product. On September 11, 2009, the Court granted the Company's motion for partial summary judgment on all of the claims and issues requested by the Company. On June 23, 2010, the Court granted in part and denied in part an additional motion for summary judgment filed by the Company. The Court ruled that the Company was entitled to summary judgment on the issue of inducement to infringe and contributory infringement, but denied the motion as to Data Retrieval's claim of direct infringement. The case is currently in the discovery phase and no trial date has been set. The Company intends to vigorously defend itself.

On January 12, 2010, Data Retrieval initiated another action (the "Data Retrieval II Action") for patent infringement against the Company in the United States District Court for the Northern District of California, Case No. C 09-05360-VRW, asserting two patents, U.S. Patent Nos. 5,802,511 (the " 511 patent") and 6,625,617 B2 (the " 617 patent") (collectively, the "Data Retrieval II patents-in-suit"). Sybase, Inc. is also named as a defendant in the Data Retrieval II Action. The Data Retrieval II Action is related to

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