INFORMATICA CORP
Form 10-Q
August 08, 2013
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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, 2013
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 and 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. R Yes £ No
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, 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 31, 2013, there were approximately 108,237,000 shares of the registrant's Common Stock outstanding.

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PART I: FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
INFORMATICA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	June 30, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$193,048	$190,127
Short-term investments	411,130	345,478
Accounts receivable, net of allowances of $4,747 and $5,460, respectively	151,058	171,893
Deferred tax assets	24,804	23,350
Prepaid expenses and other current assets	36,035	29,396
Total current assets	816,075	760,244
Property and equipment, net	143,281	145,474
Goodwill	518,083	510,121
Other intangible assets, net	55,425	67,260
Long-term deferred tax assets	27,419	24,087
Other assets	4,730	5,031
Total assets	$1,565,013	$1,512,217
Liabilities and Equity		
Current liabilities:		
Accounts payable	$10,274	$8,885
Accrued liabilities	53,280	64,475
Accrued compensation and related expenses	58,793	55,382
Deferred revenues	263,258	241,968
Total current liabilities	385,605	370,710
Long-term deferred revenues	9,329	8,807
Long-term deferred tax liabilities	1,951	2,523
Long-term income taxes payable	21,910	21,195
Other liabilities	1,513	3,459
Total liabilities	420,308	406,694
Commitments and contingencies (Note 12)		
Equity:		
Common stock, $0.001 par value; 200,000 shares authorized; 108,162 shares and 107,301 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	108	107
Additional paid-in capital	777,630	764,298
Accumulated other comprehensive loss	(15,836)	(8,030)
Retained earnings	382,803	346,730
Total Informatica Corporation stockholders’ equity	1,144,705	1,103,105
Noncontrolling interest	—	2,418
Total equity	1,144,705	1,105,523
Total liabilities and equity	$1,565,013	$1,512,217

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,	
	2013	2012	2013	2012
Revenues:				
Software	$91,428	$77,606	$179,334	$163,497
Service	131,011	112,886	257,405	223,015
Total revenues	222,439	190,492	436,739	386,512
Cost of revenues:				
Software	2,501	2,444	4,643	4,268
Service	36,463	30,392	72,493	60,126
Amortization of acquired technology	5,621	5,361	11,345	10,992
Total cost of revenues	44,585	38,197	88,481	75,386
Gross profit	177,854	152,295	348,258	311,126
Operating expenses:				
Research and development	41,668	34,791	81,191	69,563
Sales and marketing	89,510	72,667	173,567	140,376
General and administrative	19,181	14,992	37,668	30,677
Amortization of intangible assets	2,000	1,576	3,988	3,228
Facilities restructuring and facility lease termination costs	—	—	—	710
Acquisitions and other charges (benefit)	(436)	67	1,214	353
Total operating expenses	151,923	124,093	297,628	244,907
Income from operations	25,931	28,202	50,630	66,219
Interest income	893	1,180	1,783	2,355
Interest expense	(128)	(129)	(248)	(253)
Other expense, net	(391)	(371)	(459)	(724)
Income before income taxes	26,305	28,882	51,706	67,597
Income tax provision	8,139	8,796	15,633	20,982
Net income	$18,166	$20,086	$36,073	$46,615
Basic net income per common share	$0.17	$0.19	$0.33	$0.43
Diluted net income per common share	$0.16	$0.18	$0.32	$0.41
Shares used in computing basic net income per common share	108,138	108,245	107,904	107,889
Shares used in computing diluted net income per common share	111,344	113,027	111,305	112,888

See accompanying notes to condensed consolidated financial statements.

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INFORMATICA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$18,166	$20,086	$36,073	$46,615
Other comprehensive income:				
Change in foreign currency translation adjustment, net of tax benefit (expense) of $(60), $157, $243 and $73	800	(7,512)	(6,168)	(3,379)
Available-for-sale investments:				
Change in net unrealized gain (loss), net of tax benefit (expense) of $326, $27, $370 and $(205)	(533)	(103)	(604)	335
Less: reclassification adjustment for net (gain) loss included in net income, net of tax benefit (expense) of $7, $(1), $10 and $(1)	13	(2)	17	(2)
Net change, net of tax benefit (expense) of $319, $28, $360 and $(204)	(520)	(105)	(587)	333
Cash flow hedges:				
Change in unrealized loss, net of tax benefit of $797, $598, $694 and $159	(1,300)	(976)	(1,131)	(259)
Less: reclassification adjustment for net loss included in net income, net of tax benefit of $51, $219, $49 and $296	83	357	80	483
Net change, net of tax benefit (expense) of $746, $379, $645 and $(137)	(1,217)	(619)	(1,051)	224
Total other comprehensive income (loss), net of tax effect	(937)	(8,236)	(7,806)	(2,822)
Total comprehensive income, net of tax effect	$17,229	$11,850	$28,267	$43,793

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,	
	2013	2012
Operating activities:		
Net income	$36,073	$46,615
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,263	5,458
Share-based compensation	29,379	20,627
Deferred income taxes	(3,663)	(930)
Tax benefits from share-based compensation	3,518	10,325
Excess tax benefits from share-based compensation	(4,810)	(10,037)
Amortization of intangible assets and acquired technology	15,333	14,220
Other operating activities, net	(2,462)	938
Changes in operating assets and liabilities:		
Accounts receivable	21,308	35,556
Prepaid expenses and other assets	(1,298)	11,888
Accounts payable and accrued liabilities	(8,131)	(21,977)
Income taxes payable	(4,572)	(9,074)
Accrued facilities restructuring charges	—	(23,977)
Deferred revenues	20,989	22,065
Net cash provided by operating activities	108,927	101,697
Investing activities:		
Purchases of property and equipment	(5,017)	(134,847)
Purchases of investments	(232,304)	(121,818)
Investment in equity interest, net	—	22
Maturities of investments	106,247	26,046
Sales of investments	58,373	70,241
Business acquisitions, net of cash acquired	(7,464)	—
Net cash used in investing activities	(80,165)	(160,356)
Financing activities:		
Net proceeds from issuance of common stock	30,100	27,177
Repurchases and retirement of common stock	(42,982)	(29,652)
Withholding taxes related to restricted stock units net share settlement	(5,570)	(5,950)
Payment of contingent consideration	(2,490)	(4,120)
Excess tax benefits from share-based compensation	4,810	10,037
Purchase of acquiree stock	(6,365)	—
Net cash used in financing activities	(22,497)	(2,508)
Effect of foreign exchange rate changes on cash and cash equivalents	(3,344)	(2,346)
Net increase (decrease) in cash and cash equivalents	2,921	(63,513)
Cash and cash equivalents at beginning of period	190,127	316,835
Cash and cash equivalents at end of period	$193,048	$253,322

See accompanying notes to condensed consolidated financial statements.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, 2013 and 2012 are unaudited. The interim results presented are not necessarily indicative of results for any subsequent interim period, the year ending December 31, 2013, 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 where management's judgment in selecting an available alternative would not produce a materially different result.
The condensed consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.
In October 2012, the Company announced its decision to make a voluntary public takeover offer to acquire all the outstanding shares of Heiler Software AG ("Heiler"). In November 2012, the Company acquired a majority interest in the shares of Heiler at the end of the initial acceptance period of the takeover offer. The squeeze-out of the remaining shareholders was effective in May 2013, increasing the Company's ownership in Heiler to 100 percent. The noncontrolling interest position is reported as a separate component of consolidated equity from the equity attributable to the Company's stockholders for the period ended December 31, 2012. The noncontrolling interest in the Company's net income was not significant to consolidated results for the three and six months ended June 30, 2013 and therefore has been included as a component of other income (expense), net in the condensed consolidated statements of income.
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, 2012 included in the Company's Annual Report on Form 10-K filed with the SEC. The consolidated balance sheet as of December 31, 2012 has been derived from the audited consolidated financial statements of the Company. The Company's significant accounting policies are described in Note 2 to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
Certain reclassifications have been made within the condensed consolidated statement of cash flows to conform to the current year presentation. In addition, during the first quarter of 2013, the Company performed a review of the presentation of certain of its revenue categories and adopted a revised presentation, which the Company believes more accurately reflects its evolving product and service offerings. A change was made to rename other revenues to subscription revenues and to present subscription revenues and license revenues as software revenues. Other revenues were previously presented in services revenues. A corresponding change was made to present cost of license revenues and cost of other revenues as cost of software revenues. This change in presentation will not affect total revenues, total cost of revenues or total gross margin. Conforming changes have been made for all prior periods presented.

Subscription revenues of $6.7 million and $12.5 million for the three and six months ended June 30, 2012, respectively were reclassified from service revenues to software revenues. Cost of subscription revenues of $1.3 million and $2.0 million for the three and six months ended June 30, 2012, respectively were reclassified from cost of service revenues to cost of software revenues.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-11, Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities, that requires an entity to disclose additional information about offsetting and related arrangements to enable users of the financial statements to understand the effect of those arrangements on the financial position. In January 2013, the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2013-01 clarifies that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The Company adopted both standards as required on January 1, 2013. Adoption of ASU 2011-11 and ASU 2013-01 did not impact the Company's condensed consolidated financial statements.

In July 2012, the FASB issued ASU No. 2012-02 Testing Indefinite-Lived Intangible Assets, to simplify how entities test indefinite-lived intangible assets other than goodwill for impairment. These amended standards permit an assessment of qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. For assets in which this assessment concludes it is more likely than not that the fair value is more than its carrying value, these amended standards eliminate the requirement to perform quantitative impairment testing as outlined in the previously issued standards. ASU 2012-02 is effective for the Company's impairment test in October 2013 and early adoption is permitted. The Company does not expect its adoption of ASU 2012-02 to have an impact on the condensed consolidated financial statements and disclosures.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220) - Reporting of Amounts Reclassified Out Of Accumulated Other Comprehensive Income. ASU 2013-02 requires an entity to present, either parenthetically on the face of its statement where net income is presented or in a note, the effect of significant reclassifications out of accumulated other comprehensive income by the respective income statement line items if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety from accumulated other comprehensive income to net income in the same reporting period, an entity is required to cross-reference to the other disclosures where additional details about the effect of the reclassifications are disclosed. The Company adopted ASU 2013-02 prospectively as required on January 1, 2013. The Company has elected to present the required information in a single footnote as this will provide a clearer presentation of the items reclassified from accumulated other comprehensive income to net income. Adoption of this new amended guidance did not have a material impact on the Company's disclosures to its financial statements.

In March 2013, the FASB issued ASU 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. ASU 2013-05 clarifies that the cumulative translation adjustment ("CTA") should be released into net income upon the occurrence of certain qualifying events. ASU 2013-05 will be effective for the Company in 2014 with early adoption permitted, which will be applied prospectively. The Company is currently evaluating the impact of its pending adoption of ASU 2013-05 on its consolidated financial statements and disclosures.

There have been no other changes in our critical accounting policies since the end of 2012.

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INFORMATICA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Fair Value Measurement of Financial Assets and Liabilities

The following table summarizes financial assets and financial liabilities that the Company measures at fair value on a recurring basis as of June 30, 2013 (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 (i)	$8,253	$8,253	$—	$—
Time deposits (ii)	23,950	23,950	—	—
Marketable debt securities (ii)	388,179	—	388,179	—
Total assets	$420,382	$32,203	$388,179	$—
Liabilities:				
Foreign currency derivatives (iii)	$1,828	$—	$1,828	$—
Acquisition-related contingent consideration (iv)	4,601	—	—	4,601
Total liabilities	$6,429	$—	$1,828	$4,601

The following table summarizes financial assets and financial liabilities that the Company measures at fair value on a recurring basis as of December 31, 2012 (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 (i)	$18,565	$18,565	$—	$—
Time deposits (ii)	17,437	17,437	—	—
Marketable debt securities (ii)	328,041	—	328,041	—
Total assets	$364,043	$36,002	$328,041	$—
Liabilities:				
Foreign currency derivatives (iii)	$408	$—	$408	$—
Acquisition-related contingent consideration (iv)	9,230	—	—	9,230
Total liabilities	$9,638	$—	$408	$9,230

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

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

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

(iv) Included in accrued and other liabilities on the condensed consolidated balance sheets.

Money Market Funds, Time Deposits, and Marketable Securities

The Company uses a market approach for determining the fair value of all its Level 1 and Level 2 money market funds, time deposits, and marketable securities.

To value its money market funds and time deposits, the Company values the funds at $1 stable net asset value, which is the market pricing convention for identical assets that the Company has the ability to access.

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The Company's marketable securities consist of certificates of deposit, commercial paper, corporate notes and bonds, municipal securities, and U.S. government and agency notes and bonds. To value its certificates of deposit and commercial paper, 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 marketplace, and the price on that subsequent transaction clearly reflects the market price on that day, the Company will adjust the price in the system to the observed transaction price and follow a revised accretion schedule to determine the daily price.

To determine the fair value of its corporate notes and bonds, municipal securities, and U.S. government and agency notes and bonds, the Company uses a third party pricing source for each security. If the market price is not available from the third party source, pricing from the Company's investment custodian is used.

Foreign Currency Derivatives and Hedging Instruments

The Company uses the income approach to value the derivatives using observable Level 2 market inputs 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 derivative assets and liabilities. The Company uses mid-market pricing as a practical expedient for fair value measurements. Key inputs for currency derivatives include spot and forward rates, interest rates, and credit derivative market rates. 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. Credit default swap spread curves 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 twelve 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 the Company’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 to be material risks at this time. Both the Company and the counterparties are expected to perform under the contractual terms of the instruments.

There were no transfers between Level 1 and Level 2 categories during the three and six months ended June 30, 2013 and 2012.

See Note 5. Accumulated Other Comprehensive Income (Loss), Note 6. Derivative Financial Instruments, and Note 12. Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements for a further discussion.

Acquisition-related Contingent Consideration

The Company estimated the fair value of the acquisition-related contingent consideration using a probability-weighted discounted cash flow model. This fair value measure was based on significant inputs not observed in the market and thus represented a Level 3 instrument. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect our own assumptions in measuring fair value. There were no transfers into or out of the Level 3 category during the three and six months ended June 30, 2013 and 2012. The change in fair value of acquisition-related contingent consideration is included in acquisitions and other charges in the condensed consolidated statements of income.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The changes in the acquisition-related contingent consideration liability for the six months ended June 30, 2013 consisted of the following (in thousands):

	June 30, 2013
Beginning balance as of December 31, 2012	$9,230
Change in fair value of contingent consideration	(2,139)
Payment of contingent consideration	(2,490)
Ending balance as of June 30, 2013	$4,601

See Note 14. Acquisitions of Notes to Condensed Consolidated Financial Statements for a further discussion.

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 or losses and other-than-temporary impairments, if any, on available-for-sale securities are reported in other income or expense as incurred. Realized gains recognized for the three and six months ended June 30, 2013 and 2012 were negligible. The cost of securities sold was determined based on the specific identification method.

The following table summarizes the Company’s cash, cash equivalents, and short-term investments as of June 30, 2013 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash	$183,796	$—	$—	$183,796
Cash equivalents:				
Money market funds	8,253	—	—	8,253
Commercial paper	999	—	—	999
Total cash equivalents	9,252	—	—	9,252
Total cash and cash equivalents	193,048	—	—	193,048
Short-term investments:				
Certificates of deposit	1,200	—	—	1,200
Commercial paper	9,736	—	—	9,736
Corporate notes and bonds	207,665	151	(576)	207,240
Federal agency notes and bonds	91,179	55	(140)	91,094
Time deposits	23,950	—	—	23,950
U.S. government notes and bonds	7,037	10	—	7,047
Municipal notes and bonds	70,920	34	(91)	70,863
Total short-term investments	411,687	250	(807)	411,130
Total cash, cash equivalents, and short-term investments (i)	$604,735	$250	$(807)	$604,178

(i) Total estimated fair value above included $420.4 million comprised of cash equivalents and short-term investments at June 30, 2013.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes the Company's cash, cash equivalents, and short-term investments as of December 31, 2012 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash	$171,562	$—	$—	$171,562
Cash equivalents:				
Money market funds	18,565	—	—	18,565
Total cash equivalents	18,565	—	—	18,565
Total cash and cash equivalents	190,127	—	—	190,127
Short-term investments:				
Certificates of deposit	2,246	3	—	2,249
Commercial paper	6,294	—	—	6,294
Corporate notes and bonds	151,133	322	(56)	151,399
Federal agency notes and bonds	104,961	128	(10)	105,079
Time deposits	17,437	—	—	17,437
U.S. government notes and bonds	7,094	18	—	7,112
Municipal notes and bonds	55,922	18	(32)	55,908
Total short-term investments	345,087	489	(98)	345,478
Total cash, cash equivalents, and short-term investments (i)	$535,214	$489	$(98)	$535,605

(i) Total estimated fair value above included $364.0 million comprised of cash equivalents and short-term investments at December 31, 2012.

See Note 1. Summary of Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements for further information regarding the fair value of the Company's financial instruments.
The following table summarizes the fair value and gross unrealized losses related to the Company's short-term investments, aggregated by investment category that have been in a continuous unrealized loss position for less than twelve months, at June 30, 2013 (in thousands):

	Less Than 12 months	
	Fair Value	Gross Unrealized Losses
Corporate notes and bonds	$142,563	$(576)
Federal agency notes and bonds	50,956	(140)
Municipal notes and bonds	32,680	(91)
Total	$226,199	$(807)

As of June 30, 2013, the Company did not have any investments that were in a continuous unrealized loss position for periods greater than 12 months. The changes in value of these investments are primarily related to changes in interest rates and are considered to be temporary in nature.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes the cost and estimated fair value of the Company's short-term investments by contractual maturity at June 30, 2013 (in thousands):

	Cost	Fair Value
Due within one year	$181,868	$181,910
Due in one year to two years	127,268	127,118
Due after two years	102,551	102,102
Total	$411,687	$411,130

Note 3. Intangible Assets and Goodwill
The carrying amounts of the intangible assets other than goodwill as of June 30, 2013 and December 31, 2012 are as follows (in thousands, except years):

	June 30, 2013			December 31, 2012			Weighted Average Useful Life (Years)
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net	
Developed and core technology	$129,916	$(88,066)	$41,850	$123,221	$(76,721)	$46,500	6
Other Intangible Assets:							
Customer relationships	41,610	(32,763)	8,847	40,952	(30,063)	10,889	6
All other (i)	17,203	(12,475)	4,728	17,208	(11,187)	6,021	4-11
Total other intangible assets	58,813	(45,238)	13,575	58,160	(41,250)	16,910	
Total intangible assets subject to amortization	188,729	(133,304)	55,425	181,381	(117,971)	63,410	
In-process research and development	—	—	—	3,850	—	3,850	N.A.
Total intangible assets, net	$188,729	$(133,304)	$55,425	$185,231	$(117,971)	$67,260	

(i) All other includes vendor relationships, trade names, covenants not to compete, and patents.

Total amortization expense related to intangible assets was $7.6 million and $6.9 million for the three months ended June 30, 2013 and 2012, respectively, and $15.3 million and $14.2 million for the six months ended June 30, 2013 and 2012, respectively. Certain intangible assets were recorded in foreign currencies; and therefore, the gross carrying amount and accumulated amortization are subject to foreign currency translation adjustments.

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INFORMATICA CORPORATION
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As of June 30, 2013, 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 2013	$10,952	$3,738	$14,690
2014	12,822	4,699	17,521
2015	8,425	2,077	10,502
2016	4,936	1,288	6,224
2017	3,040	857	3,897
Thereafter	1,675	916	2,591
Total intangible assets subject to amortization	$41,850	$13,575	$55,425

In the fourth quarter of 2012, the Company recorded in-process research and development (IPR&D) of $3.8 million associated with the acquisition of a majority interest in Heiler. 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. Technological feasibility was achieved during the first six months of 2013 for the IPR&D from the acquisition, which was reclassified to developed technology and will be amortized over the expected useful life of the technology. See Note 14. Acquisitions for further discussion of intangible assets from acquisitions.

The changes in the carrying amount of goodwill for the six months ended June 30, 2013 are as follows (in thousands):

	June 30, 2013
Beginning balance as of December 31, 2012	$510,121
Goodwill from acquisitions	7,110
Subsequent goodwill adjustments	852
Ending balance as of June 30, 2013	$518,083

During the six months ended June 30, 2013, the Company recorded subsequent goodwill adjustments of $0.9 million which consist of a $2.8 million measurement period adjustment related to Heiler accrued liabilities, partially offset by foreign currency translation adjustments of $(1.8) million and income tax related balance sheet adjustments of $(0.1) million within the measurement period related to prior acquisitions. The goodwill is partially deductible for tax purposes. See Note 14. Acquisitions for a further discussion of goodwill from acquisitions.

Note 4. Borrowings

Credit Agreement

On September 29, 2010, the Company entered into a Credit Agreement (the "Credit Agreement") that matures on September 29, 2014. The Credit Agreement provides for an unsecured revolving credit facility in an amount of up to $220.0 million, with an option for the Company to request to increase the revolving loan commitments by an aggregate amount of up to $30.0 million with new or additional commitments, for a total credit facility of up to $250.0 million. No amounts were outstanding under the Credit Agreement as of June 30, 2013, and a total of $220.0 million remained available for borrowing.

Revolving loans accrue interest at a per annum rate based on either, at our election, (i) the base rate plus a margin ranging from 1.00% to 1.75% depending on the Company's consolidated leverage ratio, or (ii) LIBOR (based on 1-, 2-, 3-, or 6-month interest periods) plus a margin ranging from 2.00% to 2.75% depending on the Company's consolidated leverage ratio. The base rate is equal to the highest of (i) JPMorgan Chase Bank, N.A.'s prime rate, (ii) the federal funds rate plus a margin equal to 0.50%, and (iii) LIBOR for a 1-month interest period plus a margin equal to 1.00%. Revolving loans may be borrowed, repaid and reborrowed until September 29, 2014, at which time all amounts borrowed must be repaid. Accrued interest on the revolving loans is payable quarterly in arrears with respect

to base rate loans and at the end of each interest rate period (or at each 3- month interval in the case of loans with interest periods greater than 3 months) with respect to LIBOR loans. The Company is also obligated to pay other customary closing fees, arrangement fees, administrative fees, commitment fees, and letter of credit fees. A quarterly commitment fee is applied to the average daily unborrowed amount under the credit facility at a per annum rate ranging from 0.35% to 0.50% depending on the Company's consolidated leverage ratio. The Company may prepay the loans or terminate or reduce the commitments in whole or in part at any time, without premium or penalty, subject to certain conditions including

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minimum amounts in the case of commitment reductions and reimbursement of certain costs in the case of prepayments of LIBOR loans.

The Credit Agreement contains customary representations and warranties, covenants, and events of default, including the requirement to maintain a maximum consolidated leverage ratio of 2.75 to 1.00 and a minimum consolidated interest coverage ratio of 3.50 to 1.00. The occurrence of an event of default could result in the acceleration of the obligations under the Credit Agreement. Under certain circumstances, a default interest rate will apply on all obligations during the existence of an event of default under the Credit Agreement at a per annum rate equal to 2.00% above the applicable interest rate for any overdue principal and 2.00% above the rate applicable for base rate loans for any other overdue amounts. The Company was in compliance with all covenants under the Credit Agreement as of June 30, 2013.

Note 5. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in accumulated balances for each component of other comprehensive income (loss) for the three months ended June 30, 2013, net of taxes (in thousands):

	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Net Unrealized Gain (Loss) on Cash Flow Hedges	Total
Accumulated other comprehensive income (loss) as of March 31, 2013	$(14,980)	$ 175	$(94)	$(14,899)
Other comprehensive income (loss):				
Other comprehensive income (loss) before reclassifications, net of tax benefit (expense) of $(60), $326 and $797	800	(533)	(1,300)	(1,033)
Net loss reclassified from accumulated other comprehensive income (loss), net of tax benefit of $ —, $7 and $51	—	13 (i)	83 (ii)	96
Total other comprehensive income (loss), net of tax effect	800	(520)	(1,217)	(937)
Accumulated other comprehensive loss as of June 30, 2013	$(14,180)	$ (345)	$(1,311)	$(15,836)

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes the changes in accumulated balances for each component of other comprehensive income (loss) for the six months ended June 30, 2013, net of taxes (in thousands):

	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Net Unrealized Gain (Loss) on Cash Flow Hedges	Total
Accumulated other comprehensive income (loss) as of December 31, 2012	$(8,012)	$ 242	$(260)	$(8,030)
Other comprehensive income (loss):				
Other comprehensive income (loss) before reclassifications, net of tax benefit (expense) of $243, $370 and $694	(6,168)	(604)	(1,131)	(7,903)
Net loss reclassified from accumulated other comprehensive income (loss), net of tax benefit of $ —, $10 and $49	—	17 (i)	80 (ii)	97
Total other comprehensive income (loss), net of tax effect	(6,168)	(587)	(1,051)	(7,806)
Accumulated other comprehensive loss as of June 30, 2013	$(14,180)	$ (345)	$(1,311)	$(15,836)

(i) Included in other income (expense), net on the condensed consolidated income statements.
(ii) Included in operating expenses on the condensed consolidated income statements.

The Company did not have any other-than-temporary gain or loss reflected in accumulated other comprehensive income (loss) as of June 30, 2013 and December 31, 2012.
The Company 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.
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 Company’s earnings and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. The Company uses derivative instruments to manage its exposures to fluctuations in certain foreign currency exchange rates which exist as part of ongoing business operations. The Company and its subsidiaries do not enter into derivative contracts for speculative purposes.

Cash Flow Hedges

The Company enters into certain cash flow hedge programs in an attempt to reduce the impact of certain foreign currency fluctuations. These contracts are designated and documented as cash flow hedges. The purpose of these programs is to reduce the volatility of identified cash flow and expenses caused by movement in certain foreign currency exchange rates, in particular, the Indian rupee. The Company is currently using foreign exchange forward contracts to hedge certain non-functional currency anticipated expenses for its subsidiary in India.
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.
The Company has forecasted the amount of its anticipated foreign currency expenses based on its historical performance and its projected financial plan. As of June 30, 2013, the remaining open foreign exchange contracts, carried at fair value, are hedging Indian rupee expenses and have a maturity of twelve months or less. These foreign exchange contracts mature monthly as the

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foreign currency denominated expenses are paid and any gain or loss is offset against operating expense. Once the hedged item is recognized, the cash flow hedge is de-designated and subsequent changes in value are recognized in other income (expense) to offset changes in the value of the resulting non-functional currency monetary liabilities. The notional amounts of these foreign exchange forward contracts in U.S. dollar equivalents were $22.2 million and $23.6 million as of June 30, 2013 and December 31, 2012, respectively.

Balance Sheet Hedges

Balance Sheet hedges consist of cash flow hedge contracts that have been de-designated and non-designated balance sheet hedges. These foreign exchange contracts are carried at fair value and either did not or no longer qualify for hedge accounting treatment and are not designated as hedging instruments. Changes in the value of the foreign exchange contracts are recognized in other income (expense) and offset the foreign currency gain or loss on the underlying monetary assets or liabilities. The notional amounts of foreign currency contracts open at period end in US dollar equivalents were $4.6 million and $2.7 million to buy at June 30, 2013 and December 31, 2012, respectively.

The following table reflects the fair value amounts for the foreign exchange contracts designated and not designated as hedging instruments at June 30, 2013 and December 31, 2012 (in thousands):

	June 30, 2013		December 31, 2012	
	Fair Value Derivative Assets (i)	Fair Value Derivative Liabilities (ii)	Fair Value Derivative Assets (i)	Fair Value Derivative Liabilities (ii)
Derivatives designated as hedging instruments	$—	$1,658	$—	$224
Derivatives not designated as hedging instruments	—	170	—	184
Total fair value of derivative instruments	$—	$1,828	$—	$408

(i) Included in prepaid expenses and other current assets on the condensed consolidated balance sheets.
(ii) Included in accrued liabilities on the condensed consolidated balance sheets.

The Company presents its derivative assets and derivative liabilities at gross fair values in the condensed consolidated balance sheets. However, under the master netting agreements with the respective counterparties of the foreign exchange contracts, subject to applicable requirements, the Company is allowed to net settle transactions of the same currency with a single net amount payable by one party to the other. As of June 30, 2013 and December 31, 2012, there was no potential effect of rights of set off associated with the above foreign exchange contracts that would result in a net derivative asset or net derivative liability. The Company is not required to pledge nor is entitled to receive cash collateral related to the above contracts.

The Company evaluates prospectively as well as retrospectively the effectiveness of its hedge programs using statistical analysis. Prospective testing is performed at the inception of the hedge relationship and quarterly thereafter. Retrospective testing is performed on a quarterly basis. Informatica uses a change in spot price method and excludes the time value of derivative instruments for determination of hedge effectiveness.

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The effects of derivative instruments designated as cash flow hedges on the accumulated other comprehensive loss and condensed consolidated statements of income for the three and six months ended June 30, 2013 and 2012 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Amount of loss recognized in other comprehensive income (effective portion)	$(2,097)	$(1,574)	$(1,825)	$(418)
Amount of loss reclassified from accumulated other comprehensive income to operating expenses (effective portion)	$(134)	$(576)	$(129)	$(779)
Amount of gain recognized in income on derivatives for the amount excluded from effectiveness testing located in operating expenses	$507	$345	$577	$805

The Company did not have any ineffective portion of the derivative recorded in the condensed consolidated statements of income.

The loss recognized in other expense, net for non-designated foreign currency forward contracts for the three and six months ended June 30, 2013 and 2012 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Loss recognized in interest and other expense, net	$(212)	$(570)	$(191)	$(743)

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

Note 7. Stock Repurchase Program

The Company's Board of Directors has approved a stock repurchase program for the Company to repurchase its common stock. The primary purpose of the program is to enhance shareholder value, including partially offsetting the dilutive impact of stock based incentive plans. The number of shares to be purchased and the timing of the purchases are based on several factors, including the price of the Company's common stock, the Company's liquidity and working capital needs, general business and market conditions, and other investment opportunities. These purchases can be made from time to time in the open market and are funded from the Company's available working capital. In July 2012, the Board of Directors approved the repurchase of up to an additional $100.0 million of the Company's outstanding common stock.

This repurchase program does not have an expiration date. Repurchased shares are retired and reclassified as authorized and unissued shares of common stock. The Company may continue to repurchase shares from time to time, as determined by management under programs approved by the Board of Directors.

During the three and six months ended June 30, 2013, the Company repurchased approximately 594,000 shares of its common stock at a cost of $21.0 million and approximately 1,204,000 shares of its common stock at a cost of $43.0 million, respectively. During the three and six months ended June 30, 2012, the Company repurchased 688,000 shares of its common stock at a cost of $29.7 million. There were no repurchases of common stock during the three months ended March 31, 2012.

As of June 30, 2013, $53.1 million remained available for share repurchases under this program.

Note 8. Share-Based Compensation

The Company grants restricted stock units (“RSUs”) and stock options under its 2009 Equity Incentive Plan. The Company uses the Black-Scholes-Merton option pricing model to determine the fair value of each option award on the date of grant. The Company uses a blend of average historical and market-based implied volatilities for calculating the expected volatilities for employee stock options, and it uses 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, and the expected term of ESPP is based on the contractual terms. The risk-free interest rate for the expected term of the options and ESPP is based on the U.S. Treasury yield curve in effect at the time of grant.

The Company records share-based compensation for RSUs and options granted net of estimated forfeiture rates. The Company estimates forfeiture rates at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical forfeitures to estimate its future forfeiture rates.

The fair value of the Company's share-based awards was estimated based on the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Option grants:				
Expected volatility	42%	39 - 43%	41 - 43%	39 - 43%
Weighted-average volatility	42%	40%	41%	42%
Expected dividends	—	—	—	—
Expected term of options (in years)	3.3	3.3	3.3	3.3
Risk-free interest rate	0.6%	0.6%	0.6%	0.5%
ESPP: (i)				
Expected volatility	—%	—%	42%	43%
Weighted-average volatility	—%	—%	42%	43%
Expected dividends	—	—	—	—
Expected term of ESPP (in years)	—	—	0.5	0.5
Risk-free interest rate	—%	—%	0.1%	0.1%

(i) ESPP purchases are made on the last day of January and July of each year.

The allocations of the share-based compensation, net of income tax benefit, for the three and six months ended June 30, 2013 and 2012 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Cost of service revenues	$1,433	$1,023	$2,763	$2,110
Research and development	4,978	3,478	9,418	6,963
Sales and marketing	5,686	3,141	10,375	6,479
General and administrative	3,752	2,367	6,823	5,075
Total share-based compensation	15,849	10,009	29,379	20,627
Tax benefit of share-based compensation	(4,312)	(2,533)	(7,952)	(5,251)
Total share-based compensation, net of tax benefit	$11,537	$7,476	$21,427	$15,376

Note 9. Facilities Restructuring Charges

In February 2000, the Company entered into lease agreements for two office buildings located at 2000 and 2100 Seaport Boulevard in Redwood City, California, which the Company occupied from August 2001 through December 2004 as its former corporate headquarters. These lease agreements had an original expiration date in July 2013. As a result of the 2004 Restructuring Plan, the Company relocated the corporate headquarters and subsequently entered into a series of sublease agreements with tenants to occupy a portion of the vacated space. These subleases expired in June and July 2013.

In February 2012, the Company purchased the property associated with its former corporate headquarters in Redwood City, California for approximately $148.6 million in cash, which reflects a purchase price of $153.2 million less a rent

credit of $4.6 million. As a result of the transaction, the Company no longer has any further commitments relating to the original lease agreements. The purchase of the buildings discharges the Company's future lease obligations that were previously accounted for under the

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2001 and 2004 Restructuring Plans. The transaction has been accounted for as a purchase of an asset that was previously subject to an operating lease in accordance with ASC 840, Leases. The Company was the sole lessee of both of these buildings. During the first quarter of 2012 the Company reversed the existing accrued facilities restructuring liability of $20.6 million and recorded a corresponding facilities restructuring benefit on the Condensed Consolidated Statement of Income in accordance with ASC 420, Exit or Disposal Cost Obligations. The Company also recorded a charge of approximately $21.2 million representing the cost to terminate the operating lease included in facility lease termination costs, net in the Condensed Consolidated Statements of Income.

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.

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. 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.

For the three months ended March 31, 2012, prior to the purchase of the Company's former corporate headquarters, the Company recorded $0.1 million of restructuring charges related to the 2004 Restructuring Plan. These charges consist of accretion charges and amortization of tenant improvements and are included in facilities restructuring charges on the Condensed Consolidated Statement of Income. Net cash payments for the three months ended March 31, 2012 for facilities included in the 2004 and 2001 Restructuring Plans amounted to $2.4 million and $0.3 million, respectively. There were no further charges after the close of the first quarter of 2012, and no accrued facilities restructuring charges recorded as of June 30, 2013.

Note 10. Income Taxes

The Company's effective tax rates were 31% and 30% for the three months ended June 30, 2013 and 2012, respectively, and 30% and 31% for the six months ended June 30, 2013 and 2012, respectively. The effective tax rate for the three and six months ended June 30, 2013 differed from the federal statutory rate of 35% primarily due to benefits of certain earnings from operations in lower-tax jurisdictions throughout the world, the impact of the domestic manufacturing deduction pursuant to Section 199 of the Internal Revenue Code, and the recognition of the 2012 and 2013 federal research and development credits, partially offset by non-deductible share-based compensation, state income taxes, non-deductible acquisition related costs, and the accrual of reserves related to uncertain tax positions. The Company's effective annual tax rate will continue to be very sensitive to the geographic mix of earnings. The effective tax rate for the three and six months ended June 30, 2012 differed from the federal statutory rate of 35% primarily due to benefits of certain earnings from operations in lower-tax jurisdictions throughout the world, the impact of the domestic manufacturing deduction pursuant to Section 199 of the Internal Revenue Code, and the benefit of foreign tax credits partially offset by non-deductible share-based compensation, state income taxes, and the accrual of reserves related to uncertain tax positions. As of June 30, 2013, the Company has not provided for residual U.S. taxes in any of these lower-tax jurisdictions since it intends to indefinitely reinvest the net undistributed

earnings of its foreign subsidiaries offshore.

ASC 740, Income Taxes, provides for the recognition of deferred tax assets if realization of such assets is more likely than not. In assessing the need for any additional valuation allowance in the quarter ended June 30, 2013, 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 for the quarter ended June 30, 2013, consistent with prior periods, it was considered more likely than not that the Company's non-share-based payments related deferred tax assets would be realized except for any increase to the deferred tax asset related to the California research and development credit. A valuation allowance has been recorded against this portion of the credit, even though this attribute has an indefinite life. 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 ASC 718, Stock Compensation. Pursuant to ASC 718-740-25-10, the benefit of these deferred tax assets will be recorded in 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 ASC 740, if recognized, would impact the income tax provision by $19.2 million and $17.1 million as of June 30, 2013 and 2012, respectively. The Company has elected to include interest and penalties as a component of tax expense. Accrued interest and penalties as of June 30, 2013 and 2012 were approximately $2.6 million and $2.9 million, respectively. As of June 30, 2013, the gross uncertain tax position was approximately $21.6 million.

The Company files U.S. federal income tax returns as well as income tax returns in various states and foreign jurisdictions. 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 to six 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