BARRA INC /CA
Form 10-Q
February 14, 2001

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

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2000 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ___________ TO _____________

Commission file number 0-19690

BARRA, INC. (Exact name of registrant as specified in its charter)

Delaware	**94-2993326**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

2100 Milvia Street
Berkeley, California 94704-1113
(Address of principal executive offices including zip code)

(510) 548-5442
(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 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ], Applicable Only to Corporate Issuers

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

The number of shares of the registrant's Common Stock outstanding as of December 31, 2000 was 21,073,533.

Exhibit Index is located on page 20

BARRA, INC.
Report On Form 10-Q For The
Quarter Ended December 31, 2000
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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

BARRA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands except for share and per share amounts)

	December 31, 2000	March 31, 2000
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents.......................	$56,783	$53,320
Investments in marketable equity trading securities..............................	15,471	13,334
Investments in marketable debt securities available-for-sale...........................	54,485	14,090
Accounts receivable:		
Subscription and other (Less allowance for		

doubtful accounts of $840 and $755)	16,218	18,411
Asset management	25,809	8,984
Related parties	5,900	7,392
Prepaid expenses	3,525	2,116
Total current assets	178,191	117,647
Investments in unconsolidated companies	4,737	1,775
Premises and equipment:		
Computer and office equipment	20,743	20,909
Furniture and fixtures	6,182	6,029
Leasehold improvements	8,685	8,747
Total premises and equipment	35,610	35,685
Less accumulated depreciation and amortization	(20,979)	(18,366)
	14,631	17,319
Deferred tax assets	7,887	4,355
Computer software (less accumulated amortization of $1,869 and $1,455)	1,484	1,994
Other assets	1,122	832
Goodwill and other intangibles (less accumulated amortization of $6,734 and $7,304)	10,435	24,840
Total	$218,487	$168,762

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$1,094	$975
Accrued expenses payable:		
Accrued compensation	15,089	14,084
Accrued corporate income taxes	12,531	13,437
Accrued restructuring charges	--	2,654
Other accrued expenses	11,044	9,966
Unearned revenues	30,609	26,579
Total current liabilities	70,367	67,695
Deferred tax liabilities	1,768	1,994
Minority interest in equity of subsidiary	6,143	2,287
SHAREHOLDERS' EQUITY:		
Preferred stock, no par; 10,000,000 shares authorized; none issued and outstanding	--	--
Common stock, $.0001 par value; 112,500,000 shares authorized; 21,073,533 and 20,513,325 shares issued and outstanding	2	1
Additional paid-in capital	25,107	16,208
Retained earnings	115,338	80,321
Accumulated other comprehensive income	(238)	256
Total shareholders' equity	140,209	96,786
Total	$218,487	$168,762

The accompanying notes are an integral part of the BARRA, Inc. Consolidated Financial Statements

BARRA INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands except for share and per share amounts)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2000	1999	2000	1999
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating Revenues:				
Portfolio and Enterprise Risk Management.................	$28,431	$23,337	$81,169	$67,459
Symphony	19,681	24,716	54,016	39,777
POSIT........................	4,579	4,810	15,362	13,725
Other Ventures...............	7,020	7,314	22,655	21,057
Total operating revenues...	59,711	60,177	173,202	142,018
Operating Expenses:				
Communication, data, and seminar....................	1,973	2,343	5,921	6,248
Compensation and benefits....	25,520	23,995	70,781	66,487
Occupancy	1,889	1,791	5,627	5,469
Other operating expenses.....	7,332	7,115	20,751	18,920
Loss on sale of Global Estimates business.........	1,064	--	1,064	--
Restructuring charges........	--	--	--	5,561
Total operating expenses...	37,778	35,244	104,144	102,685
Interest Income & Other........	1,169	340	2,603	1,095
Income before Equity in Net Income and Loss of Investees, Minority Interest and Income Taxes............	23,102	25,273	71,661	40,428
Equity in Net Income and Loss of Investees................	100	21	71	(73)
Minority Interest.............	(5,842)	(8,878)	(17,867)	(13,837)
Income before Income Taxes........................	17,360	16,416	53,865	26,518
Income Taxes..................	(6,076)	(6,074)	(18,847)	(9,840)
Net Income	$11,284	$10,342	$35,018	$16,678
Net Income Per Share:				
Basic........................	$0.54	$0.49	$1.68	$0.79
Diluted......................	$0.50	$0.47	$1.57	$0.76
Weighted Average Common and Common Equivalent Shares:				
Basic........................	21,000,286	20,976,333	20,809,371	21,080,561
Diluted......................	22,587,119	21,831,705	22,363,170	21,967,352

The accompanying notes are an integral part of the BARRA, Inc. Consolidated Financial Statements

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BARRA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Nine Months Ended December 31,	
	2000	1999
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$35,018	$16,678
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net income of investees...........	71	73
Minority interest..........................	17,867	13,837
Depreciation and amortization...............	6,306	6,130
Gains on marketable equity trading securities	(514)	(72)
Purchase of marketable equity trading securities.................................	(1,623)	(7,159)
Non-cash restructuring charges..............	--	748
Loss on sale of Global Estimates Business....	1,064	--
Deferred Taxes.............................	(3,758)	240
Other......................................	(244)	427
Changes in:		
Accounts receivable - subscription and other.	1,739	3,066
Accounts receivable - asset management.......	(16,825)	(19,324)
Accounts receivable - related parties........	1,492	(1,077)
Prepaid expenses...........................	(1,656)	85
Other assets...............................	(290)	254
Accounts payable, due to related party and accrued expenses.......................	5,584	5,840
Unearned revenues..........................	5,145	(313)
Net cash provided by operating activities..	49,376	19,433
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures............................	(2,419)	(5,108)
Investment in marketable debt securities - available for sale.............................	(40,395)	(151)
Acquisitions - cash paid........................	--	(1,053)
Sale of Assets	13,086	--
Investments in unconsolidated companies..........	(3,033)	--
Net cash used in investing activities	(32,761)	(6,312)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to minority shareholders.................	(14,011)	(6,542)
Proceeds from sale of common stock................	5,780	2,862
Common stock repurchased..........................	(4,921)	(10,784)
Net cash used in financing activities.............	(13,152)	(14,464)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,463	(1,343)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD..	53,320	31,343
CASH AND CASH EQUIVALENTS AT END OF PERIOD........	$56,783	$30,000
OTHER CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes................................	$16,506	$5,545

The accompanying notes are an integral part of the BARRA, Inc. Consolidated Financial Statements

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BARRA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of BARRA, Inc. (the Company, which may be referred to as "Barra", we, us or our) and its wholly-owned subsidiaries and Symphony Asset Management, LLC. All significant intercompany transactions and balances have been eliminated. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation.

In our opinion, the accompanying unaudited condensed consolidated financial statements include all adjustments (consisting of normal recurring entries) necessary to present fairly our financial position as of December 31, 2000 and the results of our operations and cash flows for the periods presented in conformity with generally accepted accounting principles. The results of operations for the interim periods are not necessarily indicative of results of operations for a full year. The March 31, 2000 condensed consolidated balance sheet is derived from the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2000 (Form 10-K), but does not include all disclosures required by generally accepted accounting principles. We suggest that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and related notes included in the Form 10-K and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-Q.

2. COMPREHENSIVE INCOME

Comprehensive income includes foreign currency translation gains and losses. A summary of comprehensive income follows (in thousands):

	Three Months Ended December 31,	
	2000	1999
Net Income	$11,284	$10,342
Foreign currency translation gain (loss)................	(4)	1
Unrealized gain on marketable securities available-for-sale	--	1,948
Comprehensive income	$11,280	$12,291

	Nine Months Ended December 31,	
	2000	1999
Net Income	$35,018	$16,678
Foreign currency translation gain (loss)................	(494)	647
Unrealized gain on marketable securities available-for-sale	--	1,948
Comprehensive income	$34,524	$19,273

3. SEGMENT INFORMATION

BARRA's business segments are organized on the basis of differences in their products and services. The Core Business is the investment analytics segment and consists of developing, marketing and supporting portfolio and enterprise risk software. The BARRA Ventures Businesses consists of investments, joint ventures or significant licensing arrangements that leverage the ideas and intellectual property of the Core Business. The POSIT joint venture licenses institutional trading systems that allow institutional investors to trade portfolios of securities directly with each other in a confidential environment. The Symphony Asset Management venture is a jointly owned subsidiary that provides asset management services. Other Ventures include our Global Estimates, Bond Express, BARRA RogersCasey, Strategic Consulting and Investment Strategies businesses.

Segment income from operations is defined as segment revenues net of segment expenses, restructuring charges, loss on sale of Global Estimates, interest income and other, equity in joint venture gains and losses and minority interests. Segment expenses include costs for sales and client support activities, the cost of delivering the product or service including data and data processing costs, and allocated amounts of depreciation and amortization. Segment expenses also include allocated portions of research and development, general and administrative expenses and amortization of acquired intangibles.

For all periods presented, segment expenses exclude income taxes.

There are no differences between the accounting policies used to measure profit and loss for segments and those used on a consolidated basis. Revenues are defined as revenues from external customers and there are no inter-segment revenues or expenses.

Our management does not identify or allocate its assets, including capital expenditures, by operating segment. Accordingly, assets are not being reported by segment because the information is not available by segment and is not reviewed by the Executive Committee to make decisions about resources to be allocated to the segments, when assessing their performance. Depreciation and amortization is allocated to segments in order to determine segment profit or loss.

The following tables present information about reported segments for the three and nine month periods ended December 31, 2000 and 1999, respectively (in thousands):

For the three months ended December 31, 2000:

	BARRA CORE	BARRA VENTURES				
	Core	POSIT Joint Venture	Symphony Asset Management	Other	Total Ventures	Total
Portfolio and Enterprise Risk Management................	$28,431					$28,43
Symphony Asset Management....			$19,681		$19,681	19,68
POSIT........................		$4,579			4,579	4,57
Other Ventures..............				$7,020	7,020	7,02
Total revenues	28,431	4,579	19,681	7,020	31,280	59,71
Compensation and benefits...	(13,412)	(410)	(6,715)	(4,983)	(12,108)	(25,52
Other segment expenses......	(7,173)	(163)	(1,406)	(2,452)	(4,021)	(11,19
Interest income and other...	886		283		283	1,16
Equity in joint venture gains (losses) and minority interest..................		137	(5,842)	(37)	(5,742)	(5,74
Loss on sale of Global Estimates business.........				(1,064)	(1,064)	(1,06
Total segment expenses	(19,699)	(436)	(13,680)	(8,536)	(22,652)	(42,35
Segment income	$8,732	$4,143	$6,001	($1,516)	$8,628	$17,36
Depreciation and amortization	$1,504	$40	$65	$455	$560	$2,06

For the three months ended December 31, 1999:

	BARRA CORE	BARRA VENTURES				
	Core	POSIT Joint Venture	Symphony Asset Management	Other	Total Ventures	Total
Portfolio and Enterprise Risk Management................	$23,337					$23,33
Symphony Asset Management....			$24,716		$24,716	24,71
POSIT........................		$4,810			4,810	4,81
Other Ventures..............				$7,314	7,314	7,31
Total revenues	23,337	4,810	24,716	7,314	36,840	60,17
Compensation and benefits...	(13,267)	(299)	(5,435)	(4,994)	(10,728)	(23,99

	Core	POSIT Joint Venture	Symphony Asset Management	Other	Total Ventures	Total
Other segment expenses......	(7,805)	(53)	(1,364)	(2,027)	(3,444)	(11,24
Interest income and other...	522		(182)		(182)	34
Equity in joint venture losses and minority interest..................		53	(8,878)	(32)	(8,857)	(8,85
Total segment expenses	(20,550)	(299)	(15,859)	(7,053)	(23,211)	(43,76
Segment income (loss)	$2,787	$4,511	$8,857	$261	$13,629	$16,41
Depreciation and amortization	$1,385	$40	$75	$536	$651	$2,03

For the nine months ended December 31, 2000:

	BARRA CORE	BARRA VENTURES				
	Core	POSIT Joint Venture	Symphony Asset Management	Other	Total Ventures	Total
Portfolio and Enterprise Risk Management................	$81,169					$81,16
Symphony Asset Management....			$54,016		$54,016	54,01
POSIT........................		$15,362			15,362	15,36
Other Ventures...............				$22,655	22,655	22,65
Total revenues	81,169	15,362	54,016	22,655	92,033	173,20
Compensation and benefits...	(39,679)	(1,017)	(14,885)	(15,200)	(31,102)	(70,78
Other segment expenses......	(20,843)	(490)	(3,784)	(7,182)	(11,456)	(32,29
Interest income and other...	1,916		687		687	2,60
Equity in joint venture gains (losses) and minority interest..................		183	(17,867)	(112)	(17,796)	(17,79
Restructuring charges and loss on sale of Global Estimates business.........				(1,064)	(1,064)	(1,06
Total segment expenses	(58,606)	(1,324)	(35,849)	(23,558)	(60,731)	(119,33
Segment income	$22,563	$14,038	$18,167	($903)	$31,302	$53,86
Depreciation and amortization	$4,589	$80	$196	$1,441	$1,717	$6,30

For the nine months ended December 31, 1999:

	BARRA CORE	BARRA VENTURES				
	Core	POSIT Joint Venture	Symphony Asset Management	Other	Total Ventures	Total
Portfolio and Enterprise Risk Management................	$67,459					$67,45
Symphony Asset Management....			$39,777		$39,777	39,77
POSIT........................		$13,725			13,725	13,72

Other Ventures..............				$21,057	21,057	21,05
Total revenues	67,459	13,725	39,777	21,057	74,559	142,01
Compensation and benefits...	(41,777)	(844)	(8,582)	(15,284)	(24,710)	(66,48
Other segment expenses......	(20,500)	(262)	(3,558)	(6,317)	(10,137)	(30,63
Interest income and other...	1,097		(2)		(2)	1,09
Equity in joint venture losses and minority interest..................		117	(13,837)	(190)	(13,910)	(13,91
Restructuring charges and loss on sale of Estimates business.................	(5,561)					(5,56
Total segment expenses	(66,741)	(989)	(25,979)	(21,791)	(48,759)	(115,50
Segment income (loss)	$718	$12,736	$13,798	($734)	$25,800	$26,51
Depreciation and amortization	$5,067	$70	$233	$760	$1,063	$6,13

Segment information presented above for the three and nine months ended December 31, 1999 includes certain reclassifications from previously reported amounts to conform with the fiscal year 2001 presentation.

4. PER SHARE DATA

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" ("SFAS 128"), basic earnings per share is based on the weighted-average number of common shares outstanding for the period. Diluted earnings per share data is based on the weighted-average number of common and dilutive potential common shares outstanding. Dilutive potential common shares result from the assumed exercise of outstanding stock options that have a dilutive effect when applying the treasury stock method. For all periods presented, the only difference between basic and diluted earnings per share for the Company is the inclusion of dilutive stock options in the denominator for purposes of calculating diluted earnings per share.

5. NEW ACCOUNTING STANDARDS

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which provides the SEC staff's views on selected revenue recognition issues. The guidance in SAB 101 must be adopted during our fourth quarter of fiscal year 2001 and the effects, if any, are required to be recorded through a retroactive, cumulative-effect adjustment as of the beginning of the fiscal year, with a restatement of all prior interim quarters in the year. We do not believe SAB 101 will have a material impact on our income statement presentation, operating results or financial position.

6. SALE OF GLOBAL ESTIMATES BUSINESS

On December 7, 2000 the Company sold 100% of the capital stock in the subsidiary holding its earnings estimates business ("Global Estimates") to Multex.com, Inc. We initially acquired our Global Estimates business in October 1997 as part of our purchase of certain assets from Edinburgh Financial Publishing, Ltd. The sale was structured as a cash transaction. As a result of the sale, the Company reported a loss of approximately $1.1 million in the quarter ended December 31, 2000.

7. STOCK SPLIT

On November 10, 2000 the Company's Board of Directors declared a stock split, paid December 18, 2000, in the form of a dividend of one share of the Company's common stock for every two shares owned by the stockholders. The stock split resulted in the issuance of approximately 7 million additional shares of common stock from authorized but unissued shares. All share and per share data in these financial statements and related notes have been adjusted to retroactively reflect the stock split.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This discussion and analysis and other parts of this Form 10-Q contain forward looking statements that involve risks and uncertainties. These forward-looking statements are made in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. For further information regarding how to identify forward looking statements and the factors that could cause actual results to differ, please refer to the information under the heading "Cautionary Factors That May Affect Future Results" below. Any or all of the forward-looking statements that we make in this Form 10-Q or any other public statements we issue may turn out to be wrong. It is also important to remember that other factors besides those we mention could also adversely affect us and our business, operating results or financial condition.

GENERAL

Certain of the information required by this item has been previously reported under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Form 10-K.

Foreign Currency

As an international corporation, we generate revenue from clients throughout the world, maintain sales and representative offices worldwide and hold certain deposits and accounts in foreign currencies. Our revenue is generated from both United States and non-U.S. currencies. Our subscriptions in the United Kingdom and the European Community are priced in British pounds sterling (pounds) and euros, respectively. Additionally, our consolidated subsidiary, BARRA International (Japan), Ltd. ("BARRA Japan"), generates revenues, has expenses and has assets and liabilities in Japanese yen (yen). All other international clients are billed in U.S. dollars.

The following table presents a summary of revenue by geographic region for the three months ended December 31, 2000 and 1999 (in thousands). Revenues are distributed to geographic areas based on the country in which the BARRA sales office is located:

	2000		1999	
	Revenues	% of Total Revenues	Revenues	% of Total Revenues
North America:				
United States...........	$43,721	73%	$45,661	76%
Other....................	1,024	2	622	1
Total North America......	44,745	75	46,283	77
Europe:				
United Kingdom...........	6,762	11	6,730	11
Germany..................	1,791	3	1,393	2
Other....................	277	1	269	--

Total Europe............	8,830	15	8,392	13
Asia and Australia:				
Japan....................	4,753	8	3,987	7
Other....................	1,383	2	1,515	3
Total Asia and Australia.	6,136	10	5,502	10
TOTAL	$59,711	100%	$60,177	100%

All other things being equal, weakening of the U.S. dollar has a positive impact on profits, and strengthening of the U.S. dollar has a negative impact. Our management has considered its exposure to foreign currency fluctuations and, beginning in September 2000, implemented a hedging program designed to partially mitigate our exposure to such fluctuations through the use of forward commitments to sell certain foreign currencies. The hedging program is specifically designed to hedge our net assets denominated in pounds, euros and yen.

For the three month period ended December 31, 2000, when compared to the same period a year ago, the U.S. dollar strengthened against the pound, euro, and yen, all of which had the net effect of decreasing net revenues and net income by approximately $902,000 and $877,000, respectively, compared to exchange rates in effect for the three month period ended December 31, 1999.

On April 1, 2000, we changed the functional currency of our Japanese subsidiary, BARRA Japan, from yen to our consolidated reporting currency of U.S. dollars. This change reflects the fact that the economic factors impacting our business and related cash flows in Japan have become more influenced by our reporting currency than the local currency due to consolidation of various business and management activities within the U.S., the growth of global accounts and pricing, and the significance of inter-company transactions. As a result of this change, gains and losses on translation of current assets and liabilities denominated in yen to the U.S. reporting currency are included in other operating expenses in fiscal 2001.

Under current operating arrangements in the countries in which we do business, there are no significant restrictions upon the flow of funds from our foreign subsidiaries to the parent company, except in Brazil, where we are required to register exchange agreements with the Brazilian Central Bank.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents, marketable equity securities held for trading and marketable debt securities available for sale totaled $126.7 million at December 31, 2000. In addition, we have a commitment from a bank for an unsecured short-term line of credit of up to $5 million. No amounts have been, or are at present anticipated to be, drawn down on that line of credit.

We believe that our cash flow from operations (including prepaid subscription fees), together with existing cash balances, will be sufficient to meet cash requirements for capital expenditures and other cash needs for ongoing business operations. Other than commitments described in this discussion and analysis and in the financial statements and notes, we have no present binding understandings or commitments with respect to any significant expenditures.

PRINCIPAL FINANCIAL COMMITMENTS

Our principal financial commitments consist of obligations under operating leases and contracts for the use of computer and office facilities and possible future royalties payable to RJM Ventures, Inc. (as successor to Redpoint Software, Inc.). Our Board of Directors has also authorized the repurchase of up to 500,000 shares of our common stock and has authorized up to $17 million in funds as "seed" investments for new asset management products developed by Symphony and the Asset Services Group of BARRA RogersCasey. Approximately $4.0 million of the latter amount has not yet been disbursed.

RESULTS OF OPERATIONS

References to the dollar and percentage increases or decreases set forth below in this discussion and analysis of our results of operations are derived from comparisons of our condensed consolidated statements of income for the three and nine month periods ended December 31, 2000 and December 31, 1999.

Net Income.

Net income for the three month period ended December 31, 2000 was $11,284,000 or $0.50 per share (diluted) compared to net income of $10,342,000 or $0.47 per share (diluted) for the same quarter a year ago. Net income for the nine month period ended December 31, 2000 was $35,018,000 or $1.57 per share (diluted) compared to net income of $16,678,000 or $0.76 per share (diluted) for the same period a year ago. Results for the three and nine month periods ended December 31, 2000 include a loss on the sale of the Global Estimates business of $1,064,000 ($.03 per diluted share). Results for the nine month period ended December 31, 1999 include restructuring charges of $5,561,000 ($.16 per diluted share).

Operating Revenues.

In 2000, we reorganized into two business units: BARRA Core and BARRA Ventures. Barra Core consists of one business segment, portfolio risk management and enterprise risk management systems. Barra Ventures consists of three business segments: Symphony, POSIT and Other Ventures. See Note 3 to the notes to our condensed consolidated financial statements for further information about our segments.

Total operating revenues for the three month period ended December 31, 2000 decreased $466,000 or 1% compared to the same period a year ago. Total operating revenues for the nine month period ended December 31, 2000 increased $31,184,000 or 22% compared to the same period a year ago.

Portfolio and Enterprise Risk Management.

Portfolio and Enterprise Risk Management revenues consist of annual subscription fees and other related revenues for the Barra Core portfolio risk management and enterprise risk management systems. A summary of the components of this revenue is as follows (amounts in thousands):

	Three Months Ended December 31,			Nine Months Ended December 31,		
	2000	1999	%Change	2000	1999	%Change
Core product subscriptions- continuing products.......	$26,189	$21,268	23	$74,779	$60,949	23
Core product subscriptions- discontinued fixed income products...........	--	--	--	--	595	--
Other Core product related..	2,242	2,069	8	6,390	5,915	8
TOTAL...................	$28,431	$23,337	22	$81,169	$67,459	20

Core Product Subscriptions

are revenues for our portfolio risk management and enterprise risk management products, including related updates. We generally bill and collect fees on an annual basis, but recognize the income 1/12th per month over each year of the subscription period. The growth in annual subscription fees continues to be generated from a combination of obtaining new clients (including subscriptions from enterprise risk management systems) and increasing revenues from existing customers through the introduction of new products, features and services and from price increases for existing services.

Revenues from discontinued fixed income products for the nine months ended December 31, 1999 only represent amounts earned on these products during April 1999. As part of the restructuring, we agreed to provide license and support services without charge from May 1, 1999 until the product termination dates. The termination dates ranged from October to December 1999.

Other Core Product Related

revenues include consulting and implementation fees associated with enterprise risk management system installations, timesharing revenues, seminar revenues and other recurring fees. The increase in revenue in the current quarter as compared to the same quarter a year ago is due primarily to increased revenues in the enterprise risk management implementation business. This increase was due to an increase in the number of enterprise risk system installations and pilots. The timing of the recording of enterprise risk management implementation fees is governed by the terms of the implementation contracts and other factors that can cause significant variations from quarter to quarter.

Symphony's

revenues decreased $5,035,000 or 20% compared to the same quarter a year ago and increased $14,239,000 or 36% compared to the same nine month period a year ago. Symphony's revenues consist primarily of asset management fees, which are a fixed percentage of asset value, and performance fees, which are based on the performance over a benchmark for each client account. Performance fees included in total revenues were $12,915,000 and $34,028,000, respectively, for the three and nine months ended December 31, 2000 compared to $19,903,000 and $27,018,000 for the same periods a year ago. Performance fees are recognized only at the measurement date for determining performance of an account. The measurement date typically is at the end of the first year of a client's contract and on each subsequent annual anniversary date for the years after the first year. The performance fees in the current quarter represent fees on approximately 38% of the accounts. It is estimated that approximately 9% and 11% of the current total of performance-based funds under Symphony's management will have performance fee determination dates in the quarters ended March 31, 2001 and June 2001, respectively.

As of December 31, 2000, Symphony had approximately $4.7 billion of assets under direct management. Of these funds, approximately $3.3 billion are now managed under agreements that provide for performance fees in addition to a base management fee. These amounts include approximately $700 million of leverage associated with performance fee accounts in addition to the capital invested by Symphony clients.

Symphony's future revenues will depend to a great extent on the performance of the funds it manages and the timing of anniversary fee determination dates for performance based funds.

POSIT.

POSIT revenues decreased $231,000 or 5% compared to the same quarter a year ago and increased $1,637,000 or 12% compared to the same nine month period a year ago. Our revenues from POSIT come from royalties based on commissions generated by the trading volume in the various POSIT systems.

Other Ventures.

During the reporting periods, other Ventures included our Global Estimates, Bond Express, BARRA RogersCasey, Strategic Consulting and Investment Strategies businesses. We sold our Global Estimates business in December 2000. (See Note 6 to the Notes to our Condensed Consolidated Financial Statements for further information about this sale.) Revenues from Global Estimates and Bond Express primarily consist of subscription fees to earnings estimates products and bond offering databases. The Investment Consulting division of BARRA RogersCasey provides services to pension plan sponsors usually under recurring, retainer- based fee arrangements. The Strategic Consulting venture provides consulting services to asset managers, which are generally nonrecurring, project-type engagements that are completed in phases. As a group, in the current quarter Other Ventures revenues decreased $294,000, or 4%, compared to the same quarter a year ago and increased $1,598,000 or 8% compared to the same nine month period a year ago. The decrease in the current quarter principally reflects the effect of having only two months of revenue for the Global Estimates business due to the December sale.

Operating Expenses.

For the quarter ended December 31, 2000 compared to the same quarter a year ago, total operating expenses, including the loss on the sale of our Global Estimates business, increased $2,534,000 or 7%. Excluding the loss on the sale, operating expenses increased $1,470,000 or 4%. For the nine months ended December 31, 2000 compared to the same period a year ago, total operating expenses, including restructuring charges and the loss on the sale of the Global Estimates business, increased $1,459,000 or 1%. Excluding restructuring charges and the loss on the sale of the Global Estimates business, operating expenses increased $5,956,000 or 6%.

Communication, data and seminar costs

consists of computer access and communication charges, data and software acquisition expenses, our computer leasing expenses, and seminar expenses. This component of expense decreased $370,000 or 16% compared to the same quarter a year ago and decreased $327,000 or 5% compared to the same nine month period a year ago. Computer access costs were lower due to the termination of our VAX-based platform and related computer leasing expenses for fixed income and equity models in fiscal 2000.

Compensation and Benefits

increased $1,525,000 or 6% compared to the same quarter a year ago and increased $4,294,000 or 6% compared to the same nine month period a year ago. The increases from the same quarter a year ago are primarily the result of higher incentive compensation in our Symphony business and increases in company-wide employee benefit costs, offset by decreases in costs associated with the Year 2000 project. External and other special additional internal costs associated with our Year 2000 project included in compensation and benefits were $900,000 and $3.5 million for the three and nine month periods ended December 31, 1999. No Y2K related costs were incurred in the current fiscal year and none are expected in the future.

Incentive compensation at Symphony varies with pre-tax earnings and increased $909,000 and $4,941,000 for the three and nine months periods ended December 31, 2000, respectively, compared to the same periods a year ago. Incentive compensation at Symphony for the three months ended December 31, 2000 includes approximately $2.9 million in bonuses paid to the Symphony management in connection with a bonus plan that pays out 20% of the pre-tax profits of Symphony once the profits exceed $17 million in a fiscal year.

Occupancy Expense

increased $98,000 or 5% compared to the same quarter a year ago and increased $158,000 or 3% compared to the same nine month period a year ago. This increase reflects higher rental costs at our Japan facilities offset partially by additional sublease income from leasing more of our excess facilities in various locations during the current year.

Other Operating Expenses

increased $217,000 or 3% compared to the same quarter a year ago and increased $1,831,000 or 10% compared to the same nine month period a year ago. Other operating expenses include travel, office, maintenance, depreciation, amortization, data and other expenses related to asset management operations, marketing, advertising, outside legal and accounting services, foreign currency translation gains and losses, and other corporate expenses. Other operating expenses increased from the same periods a year ago primarily as a result of: (a) higher foreign currency translation losses, primarily due to the weakening of the euro and the pound against the dollar; (b) substantial increases in marketing and related expenses associated with our branding campaign; and (c) increases in legal and other professional services. We expect to continue to have significant increases in advertising and related expenses over the next two quarters compared to the same periods a year ago. We currently estimate advertising and related expenses to be approximately $800,000 and $1.1 million in the quarters ended March 31, 2001 and June 30, 2001, respectively.

Loss on sale of Global Estimates business

- Refer to Note 6 in the accompanying notes to the condensed consolidated financial statements for information on this loss.

Restructuring Charges

- In April 1999, our management announced and implemented a restructuring plan to reduce the cost of operating our U.S. fixed income business and to focus development and sales efforts on global and enterprise-wide fixed income products. All amounts previously accrued related to these restructuring activities have been paid.

Interest Income and Other

- Interest Income and Other increased $829,000 or 243% compared to the same quarter a year ago and increased $1,508,000 or 138% compared to the same nine month period a year ago. The increase is due primarily to higher gains on marketable equity securities held for trading and increased interest income earned on cash balances arising from significantly higher cash balances. The investments in marketable equity securities consist of funds managed by Symphony.

Equity in Net Income (Loss) of Investees

represents net gains and (losses) from our equity investments in Data Downlink Corporation, Risk Reporting Limited and Australian POSIT. The increase in gains reflects the dilution of our investment in Data Downlink during fiscal 2000 below 20% ownership so that we no longer exercise significant influence in their operations and accordingly no longer include their losses in our results.

Minority Interest

represents the share of profits from Symphony Asset Management LLC that is due to other shareholders.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

Our disclosure and analysis in this Form 10-Q contain several forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate", "estimate", "expect", "opinion", "project", "intend", "plan", "believe", "designed", "future", "forecast", "perceive", "vary", "possible", "potential", "target", "will", "may", "scheduled", "would", "could", "should", "forward", "assure" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, events or results. From time to time we may also provide oral or written forward-looking statements in other materials that we release to the public.

Any or all of the forward-looking statements that we make in this Form 10-Q or any other public statements we issue may turn out to be wrong. They can be affected by inaccurate assumptions that we might make or by known or unknown risks and uncertainties. Many factors mentioned in this Form 10-Q will be important in determining future results. Consequently, no forward looking statement can be guaranteed. Actual future results may vary materially.

We are under no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. We suggest, however, that you consult any further disclosures we make on related subjects in our Form 10-Q, 8-K and 10-K filings with the SEC. Our Form 10-K filing for the 2000 fiscal year listed various important factors that could cause actual results to differ materially from expected and historic results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. Readers can find them in Part I of that filing under the heading "Risk Factors" and in our recent earnings press release for the quarter ended December 31, 2000. We incorporate that section of that Form 10-K in this filing and investors should refer to it. Those are factors that we think could cause our actual results to differ materially from expected and historical results. Other factors besides those listed in our Form 10-K or elsewhere in this Form 10-Q could also adversely affect us or our business. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to the interest bearing portions of our direct investment portfolio. We place our direct investments with high quality credit issuers and, by policy, limit the amount of credit exposure to any one issuer. Our first priority is to reduce the risk of principal loss. Consequently, we seek to preserve our invested funds by limiting default risk, market risk, and re-investment risk. We attempt to mitigate default risk by investing only in high quality credit securities that we believe to be low risk and by positioning our portfolio to respond appropriately to a significant reduction in credit rating of any investment issuer or guarantor. The direct investment portfolio includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. We do not use derivative financial instruments in our investment portfolio.

Our direct interest bearing investment portfolio primarily consists of investments in short-term, high-credit quality money market funds and U.S. Treasury Securities. These investments totaled approximately $56.8 million at December 31, 2000 with an average interest rate of 5.5%. At December 31, 2000, the portfolio also had approximately $54.4 million of short-term, high credit quality municipal and corporate debt securities with an average taxable equivalent interest rate of 8.1%. The short-term money market funds and the municipal and corporate debt securities are not insured and, because of the short-term nature of the investments, are subject to credit risk, but are not likely to fluctuate significantly in market value.

From time to time, we provide the initial invested funds for the startup of new investment products offered by Symphony and the BARRA RogersCasey Asset Services Group. In these cases, the primary considerations are related to supporting a new business rather than making investments that fall under the guidelines of our investment policy.

Our investments in primarily market-neutral programs, which amounted to approximately $15.4 million at December 31, 2000, are non-interest bearing and consist principally of long and short positions placed directly through other fund managers in U.S and non-U.S. equity securities of both public and private issuers. Although the intent of the managers of these funds is to structure portfolios that are hedged against general market movements, these investments can be subject to significant changes in market value and are not insured. All investment decisions with respect to these market neutral programs are made by professional investment advisers and the performance of the funds is reviewed periodically by our management.

Foreign Currency Risk

We invoice customers in Europe in both pounds and euros. In Japan, we bill our customers in yen. Excluding customers in these locations, we generally bill for our services in U.S. dollars. To the extent we invoice our customers in local currency (yen, pound and euro), our international revenues are subject to currency exchange fluctuation risk. To the extent that international revenues that are invoiced in local currencies increase in the future, our exposure to fluctuations in currency exchange rates will correspondingly increase. Currency fluctuations may also effectively increase the cost of our products and services in countries in which customers are invoiced in U.S. dollars.

In September 2000, we implemented a hedging program to help reduce our exposure to fluctuations in certain foreign currency translation rates from holding net assets denominated in foreign currencies. The program utilizes forward contracts for the sale of foreign currencies to hedge our net asset exposure, consisting principally of cash and receivables denominated in pounds, euros and yen. At December 31, 2000, we had one contract to sell 500 million yen at 109.55, maturing on January 5, 2001, with an unrealized gain of $179,000. Also at December 31, 2000, we had one contract to sell 5 million euro at 0.8942, maturing on January 5, 2001, with an unrealized loss of $241,000. Additionally, at December 31, 2000, we had one contract to sell 5 million pounds at 1.4505, maturing on January 5, 2001, with an unrealized loss of $213,000. We enter into forward currency contracts only with approved counterparties and all hedging activities are reviewed by our Foreign Exchange Committee. Our hedging program is currently designed only to reduce our exposure to gains and losses that result from translating our foreign assets and liabilities into U.S dollars. It does not currently limit or reduce the exposure we have from fluctuations in currency exchange rates on our reported revenues that are billed in non-U.S. currencies.

We have no foreign debt and non-U.S. dollar cash balances held overseas are generally kept at levels necessary to meet current operating and capitalization needs. The capitalization of BARRA Japan includes approximately $2.2 million invested in a yen-denominated mutual fund.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

All information that is required by this item was reported under the heading "Legal Proceedings" in our March 31, 2000 Form 10-K. There have been no other material developments in our legal proceedings since the date of our Form 10-K.

ITEM 5. OTHER INFORMATION.

On November 10, 2000, the board of directors of Barra approved a 3-for-2 stock split, effected in the form of a dividend, that was paid on December 18, 2000 to shareholders of record as of November 27, 2000. Barra paid cash in lieu of fractional shares.

On December 7, 2000, Barra sold 100% of the capital stock in the subsidiary holding its Global Estimates business to Multex.com, Inc. The sale was structured as a cash transaction. Barra reported a pretax loss on the sale of approximately $1.1 million in the quarter ending December 31, 2000, as set forth in Note 6 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

On February 6, 2001, Barra repurchased 2,500 shares of its own Common Stock for an aggregate price of $117,187.50. On February 7, 2001, Barra repurchased 25,000 shares of its own Common Stock for an aggregate price of $1,168,750.

On February 8, 2001, the board of directors of Barra re-authorized senior management to repurchase up to an aggregate of 500,000 shares of its Common Stock.

All other information that is required by this item was reported under the heading "Other Information" in our September 30, 2000 Form 10-Q. There has been no other material information to report since the date of our Form 10-Q.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

No exhibits are required in this 10-Q for the quarter ended December 31, 2000.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, BARRA has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BARRA, Inc.
(Registrant)

Dated: February 14, 2001

By: /s/ Kamal Duggirala

Kamal Duggirala
President and Chief Executive Officer

Dated: February 14, 2001

By: /s/ Greg V. Stockett

Greg V. Stockett
Chief Financial Officer

EXHIBIT INDEX

No exhibits are required in this 10-Q for the quarter ended December 31, 2000.