NEOSE TECHNOLOGIES INC
Form SC 13G/A
February 14, 2008

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

SCHEDULE 13G/A
Under the Securities Exchange Act of 1934
Amendment No. 1

Neose Technologies, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

640522108
(CUSIP Number)

December 31, 2007

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[x] Rule 13d-1(b)

[ ] Rule 13d-1(c)

[ ] Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 640522108

1. Names of Reporting Persons.
   I.R.S. Identification Nos. of above persons (entities only).

   OrbiMed Advisors LLC

2. Check the Appropriate Box if a Member Of a Group (See Instructions)

   [ ] (a)
   [ ] (b)

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

	5. Sole Voting Power: 0
Number of Shares	6. Shared Voting Power: 1,603,700
Beneficially Owned by	7. Sole Dispositive Power: 0
Each Reporting Person With	8. Shared Dispositive Power: 1,603,700

9. Aggregate Amount Beneficially Owned by Each Reporting Person
1,603,700

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9) 2.90%

12. Type of Reporting Person (See Instructions) IA

CUSIP No. 640522108

1. Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

OrbiMed Capital LLC

2. Check the Appropriate Box if a Member of a Group (See Instructions)

[ ] (a)
[ ] (b)

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

	5. Sole Voting Power: 0
Number of Shares	6. Shared Voting Power: 1,123,750
Beneficially Owned by	7. Sole Dispositive Power: 0
Each Reporting Person With	8. Shared Dispositive Power: 1,123,750

9. Aggregate Amount Beneficially Owned by Each Reporting Person
1,123,750

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9) 2.03%

12. Type of Reporting Person (See Instructions) IA

CUSIP No. 640522108

1. Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

Samuel D. Isaly

2. Check the Appropriate Box if a Member of a Group (See Instructions)

[ ] (a)
[ ] (b)

3. SEC Use Only

4. Citizenship or Place of Organization

United States

Number of Shares Beneficially Owned by Each Reporting Person With	5. Sole Voting Power: 0
	6. Shared Voting Power: 2,727,450
	7. Sole Dispositive Power: 0
	8. Shared Dispositive Power: 2,727,450

9. Aggregate Amount Beneficially Owned by Each Reporting Person:
2,727,450

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares
(See Instructions)

11. Percent of Class Represented by Amount in Row (9) 4.93%

12. Type of Reporting Person (See Instructions) HC

Item 1. (a) Issuer: Neose Technologies, Inc.

1. Address:
102 Witmer Road
Horsham, Pennsylvania 19044

Item 2. (a) Name of Person Filing:
OrbiMed Advisors LLC
OrbiMed Capital LLC
Samuel D. Isaly

(b) Address of Principal Business Offices:

767 Third Avenue, 30th Floor
New York, New York 10017

(c) Citizenship:
Please refer to Item 4 on each cover sheet for each filing person

(d) Title of Class of Securities
Common stock

(e) CUSIP Number: 640522108

Item 3. OrbiMed Advisors LLC and OrbiMed Capital LLC are investment advisors in accordance with ss.240.13d-1(b)(1)(ii)(E). Samuel D. Isaly is a control person in accordance with ss.240.13d-1(b)(1)(ii)(G).

Item 4. Ownership

Please see Items 5 - 9 and 11 for each cover sheet for each filing separately

Item 5. Ownership of Five Percent or Less of a Class

Reporting persons are holding 4.93% (2.90% in the case of OrbiMed Advisors LLC and 2.03% in the case of OrbiMed Capital LLC) of the securities on behalf of other persons who have the right to receive or the power to direct the receipt of dividends from, or proceeds from sale of, such securities. No one such other person's interest in the securities whose ownership is reported here relates to more than five percent of the class.

OrbiMed Advisors LLC and OrbiMed Capital LLC hold shares or share equivalents issuable from the conversion of warrants on behalf of Caduceus Capital Master Fund Limited (775,000 shares and 348,750 warrants), Caduceus Capital II, L.P. (490,000 shares and 220,500 warrants), UBS Eucalyptus Fund, LLC (560,000 shares and 252,000 warrants), and PW Eucalyptus Fund, Ltd. (56,000 shares and 25,200 warrants).

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Not Applicable

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company

Not Applicable

Item 8. Identification and Classification of Members of the Group

Not Applicable

Item 9. Notice of Dissolution of Group

Not Applicable

Item 10. Certification

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 14, 2008

OrbiMed Advisors LLC

By: /s/ Samuel D. Isaly

Name: Samuel D. Isaly
Title: President

OrbiMed Capital LLC

By: /s/ Samuel D. Isaly

Name: Samuel D. Isaly
Title: Managing Member

By: /s/ Samuel D. Isaly

Name: Samuel D. Isaly

JOINT FILING AGREEMENT

The undersigned hereby agree that the Statement on this Schedule 13G/A, dated February 14, 2008, (the "Schedule 13G/A"), with respect to the Common Stock, par value $.001 per share, of Neose Technologies, Inc. is filed on behalf of each of us pursuant to and in accordance with the provisions of Rule 13d-1(k) under the Securities and Exchange Act of 1934, as amended, and that this Agreement shall be included as an Exhibit to this Schedule 13G/A. Each of the undersigned agrees to be responsible for the timely filing of the Schedule 13G/A, and for the completeness and accuracy of the information concerning itself contained therein. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the 14th day of February 2008.

OrbiMed Advisors LLC

By: /s/ Samuel D. Isaly

Name: Samuel D. Isaly
Title: Managing Member

OrbiMed Capital LLC

By: /s/ Samuel D. Isaly

Name: Samuel D. Isaly
Title: Managing Member

By: /s/ Samuel D. Isaly

Name: Samuel D. Isaly

Statement of Control Person

The Statement on this Schedule 13G/A dated February 14, 2008 with respect to the common stock, $.001 par value per share, of Neose Technologies, Inc. is filed by Samuel D. Isaly in accordance with the provisions of Rule 13d-1(b) and Rule 13d-1(k),respectively, as control person (HC) of OrbiMed Advisors LLC and OrbiMed Capital LLC.

OrbiMed Advisors LLC and OrbiMed Capital LLC file this statement on Schedule 13G/A in accordance with the provisions of Rule 13d-1(b) and Rule 13d-1(k), respectively, as investment advisors (IA).

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Selling, general and administrative expenses

111.8 115.7 (3.9) (3)

Other (income) expenses, net

6.9 (6.9) 13.8 NM*

Total expenses

856.9 785.2 71.7 9

Earnings from continuing operations before income taxes

111.0 107.8 3.2 3

Margin

11.5% 12.1% (0.6) pts

Provision for income taxes

32.9 41.7 (8.8) (21)

Effective tax rate

29.6% 38.7% (9.1) pts

Net earnings from continuing operations

$78.1	$66.1	$12.0	18

Basic Earnings per share from continuing operations

$0.57	$0.47	$0.10	21

Diluted Earnings per share from continuing operations

$0.56	$0.47	$0.09	19

* Not Meaningful

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Three Months Ended December 31, 2009 versus Three Months Ended December 31, 2008

Revenues. Revenues for the three months ended December 31, 2009 were $529.7 million, an increase of $92.2 million or 21%, compared to $437.5 million for the three months ended December 31, 2008. The increase reflects higher contributions from fee revenues of $59.7 million and higher distribution revenues of $32.5 million. Higher fee revenues of $59.7 million was driven by $59.8 million in event-driven mutual fund proxy revenues, the favorable impact of the actual versus budgeted foreign currency exchange rates, and gains from an acquisition. These gains were partially offset by negative recurring revenues driven by negative internal growth, partially offset by a positive contribution from sales less losses (referred to as Net New Business).

Six Months Ended December 31, 2009 versus Six Months Ended December 31, 2008

Revenues. Revenues for the six months ended December 31, 2009 were $967.9 million, an increase of $74.9 million or 8%, compared to $893.0 million for the six months ended December 31, 2008. The increase reflects higher contributions from fee revenues of $55.7 million and higher distribution revenues of $19.2 million. Higher fee revenues of $55.7 million was driven by $62.3 million in event-driven mutual fund proxy revenues, the favorable impact of the actual versus budgeted foreign currency exchange rates, and gains from an acquisition. These gains were partially offset by negative recurring revenues driven by negative internal growth, partially offset by a positive contribution from Net New Business.

Three Months Ended December 31, 2009 versus Three Months Ended December 31, 2008

Total Expenses. Total expenses for the three months ended December 31, 2009 were $461.2 million, an increase of $72.4 million, or 19%, compared to $388.8 million for the three months ended December 31, 2008. The increase reflects $71.5 million, or 22% increase in Cost of revenues, $3.6 million, or 6% decrease in Selling, general and administrative expenses, and $4.5 million higher Other (income) expenses, net.

Cost of revenues for the three months ended December 31, 2009 were $399.7 million, an increase of $71.5 million, or 22%, compared to $328.2 million for the three months ended December 31, 2008. The increase reflects higher expense relating to higher fee revenues driven by event-driven mutual fund proxy and the net impact of higher distribution costs related to higher distribution revenues. Distribution cost of revenues for the three months ended December 31, 2009 were $166.4 million, an increase of $30.1 million, or 22%, compared to $136.3 million for the three months ended December 31, 2008. Fluctuations in foreign currency exchange rates also increased Cost of revenues by $2.4 million.

Selling, general and administrative expenses for the three months ended December 31, 2009 were $58.4 million, a decrease of $3.6 million, or 6%, compared to $62.0 million for the three months ended December 31, 2008. The decrease reflects $2.2 million lower stock-based compensation expense related to special stock option grants to corporate officers during the three months ended December 31, 2008 which vested immediately, were expensed upon vest, and did not recur during the three months ended December 31, 2009.

Other (income) expenses, net for the three months ended December 31, 2009 were $3.1 million an increase in expenses of $4.5 million, compared to $(1.4) million Other (income) for the three months ended December 31, 2008. The increase reflects a foreign currency exchange loss of $5.2 million, offset by lower interest expense on our Long-term debt of $0.8 million related to the decline in the weighted-average interest rate on our five-year term loan facility.

Six Months Ended December 31, 2009 versus Six Months Ended December 31, 2008

Total Expenses. Total expenses for the six months ended December 31, 2009 were $856.9 million, an increase of $71.7 million, or 9%, compared to $785.2 million for the six months ended December 31, 2008. The increase reflects $61.8 million, or 9% increase in Cost of revenues, $3.9 million, or 3% decrease in Selling, general and administrative expenses, and higher Other (income) expenses, net of $13.8 million.

Cost of revenues for the six months ended December 31, 2009 were $738.2 million, an increase of $61.8 million, or 9%, compared to $676.4 million for the six months ended December 31, 2008. The increase reflects higher expense relating to higher fee revenues driven by event-driven mutual fund proxy and the net impact of higher distribution costs related to higher distribution revenues. Distribution cost of revenues for the six months ended December 31, 2009 were $302.4 million, an increase of $18.3 million, or 6%, compared to $284.1 million for the six months ended December 31, 2008. The impact of foreign currency exchange rates was unchanged.

Selling, general and administrative expenses for the six months ended December 31, 2009 were $111.8 million, a decrease of $3.9 million, or 3%, compared to $115.7 million for the six months ended December 31, 2008. The decrease reflects $2.2 million lower stock-based compensation expense related to special stock option grants to corporate officers during the six months ended December 31, 2008 which vested immediately, were expensed upon vest, and did not recur during the six months ended December 31, 2009.

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Other (income) expenses, net for the six months ended December 31, 2009 were $6.9 million, an increase in expenses of $13.8 million, compared to $(6.9) million Other (income) for the six months ended December 31, 2008. The increase reflects the effect of the one-time gain from the purchase of the 6.125% Senior Notes due 2017 (the Senior Notes) of $8.4 million during the six months ended December 31, 2008, a foreign currency exchange loss of $8.2 million, net of a decrease in interest expense on our Long-term debt of $3.6 million related to a lower outstanding balance on the Senior Notes, and the decline in the weighted-average interest rate on our five-year term loan facility.

Earnings from continuing operations before Income Taxes. Earnings from continuing operations before income taxes for the three months ended December 31, 2009 were $68.5 million, an increase of $19.8 million, or 41%, compared to $48.7 million for the three months ended December 31, 2008. The increase reflects higher Revenues which more than offset the increase in Total expenses during the three months ended December 31, 2009, compared to the three months ended December 31, 2008, as discussed above. Overall margin increased from 11.1% to 12.9% for the three months ended December 31, 2008 compared to the three months ended December 31, 2009, respectively.

Earnings from continuing operations before income taxes for the six months ended December 31, 2009 were $111.0 million, an increase of $3.2 million, or 3%, compared to $107.8 million for the six months ended December 31, 2008. The increase reflects higher Revenues which more than offset the increase in Total expenses during the six months ended December 31, 2009, compared to the six months ended December 31, 2008, as discussed above. Overall margin decreased from 12.1% to 11.5% for the six months ended December 31, 2008 compared to the six months ended December 31, 2009, respectively.

Provision for Income Taxes from Continuing Operations. Our Provision for income taxes and effective tax rates from continuing operations for the three and six months ended December 31, 2009 were $17.0 million and 24.8%, and $32.9 million and 29.6%, respectively, compared to $18.7 million and 38.4%, and $41.7 million and 38.7%, for the three and six months ended December 31, 2008, respectively. The decreases in our Provision for income taxes and the effective tax rates are primarily attributable to the release of a valuation allowance on a deferred tax asset relating to tax loss carryforwards, approved certification for a state tax credit program, and lower enacted tax rates in certain non-U.S. tax jurisdictions for the six months ended December 31, 2009.

Net Earnings from Continuing Operations and Basic and Diluted Earnings per Share from Continuing Operations. Net earnings from continuing operations for the three months ended December 31, 2009 were $51.5 million, an increase of $21.5 million, or 72%, compared to $30.0 million for the three months ended December 31, 2008. The increase in Net earnings from continuing operations reflects increased Revenues and a lower effective tax rate, more than offset by the increase in Total expenses during the three months ended December 31, 2009 compared to the three months ended December 31, 2008, as discussed above.

Net earnings from continuing operations for the six months ended December 31, 2009 were $78.1 million, an increase of $12.0 million, or 18%, compared to $66.1 million for the six months ended December 31, 2008. The increase in Net earnings from continuing operations reflects increased Revenues and a lower effective tax rate, more than offset by the increase in Total expenses during the six months ended December 31, 2009 compared to the six months ended December 31, 2008, as discussed above.

Basic and diluted earnings per share from continuing operations for the three months ended December 31, 2009 were $0.38, an increase of $0.17, or 81%, and $0.37, an increase of $0.16, or 76%, respectively, compared to $0.21 for the three months ended December 31, 2008.

Basic and diluted earnings per share from continuing operations for the six months ended December 31, 2009 were $0.57, an increase of $0.10, or 21%, and $0.56, an increase of $0.09, or 19%, respectively, compared to $0.47 for the six months ended December 31, 2008.

Analysis of Reportable Segments

As a result of Broadridge entering into the Asset Purchase Agreement to sell the securities clearing contracts of Ridge Clearing, Broadridge now has two reportable operating business segments: Investor Communication Solutions and Securities Processing Solutions. The securities clearing business is reflected in discontinued operations and the operations outsourcing solutions business retained by Broadridge is now reported as part of the Securities Processing Solutions business segment. This change is reflected in all prior periods presented in this report on Form 10-Q.

The primary components of Other are the elimination of intersegment revenues and profits and certain unallocated expenses. Foreign currency exchange is a reconciling item between the actual foreign currency exchange rates and the fiscal year 2010 budgeted foreign currency exchange rates.

Certain corporate expenses, as well as certain centrally managed expenses, are allocated based upon budgeted amounts in a reasonable manner. Because the Company compensates the management of its various businesses on, among other factors, segment profit, the Company may elect to record certain segment-related expense items of an unusual or non-recurring nature in consolidation rather than reflect such items in segment profit.

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Revenues

	Three Months Ended December 31, 2009	2008	Change $	%	Six Months Ended December 31, 2009	2008	Change $	%
	($ in millions)				($ in millions)			
Investor Communication Solutions	$ 393.3	$ 295.5	$ 97.8	33	$ 703.2	$ 609.3	$ 93.9	15
Securities Processing Solutions	133.8	146.5	(12.7)	(9)	263.9	285.9	(22.0)	(8)
Other	2.2	0.1	2.1	NM*	2.2	0.4	1.8	NM*
Foreign currency exchange	0.4	(4.6)	5.0	NM*	(1.4)	(2.6)	1.2	46
Total	$ 529.7	$ 437.5	$ 92.2	(21)	$ 967.9	$ 893.0	$ 74.9	8

* Not Meaningful

Earnings (Loss) from Continuing Operations Before Income Taxes

	Three Months Ended December 31, 2009	2008	Change $	%	Six Months Ended December 31, 2009	2008	Change $	%
	($ in millions)				($ in millions)			
Investor Communication Solutions	$ 50.9	$ 19.8	$ 31.1	NM*	$ 74.3	$ 43.1	$ 31.2	72
Securities Processing Solutions	23.4	38.1	(14.7)	(39)	49.0	73.4	(24.4)	(33)
Other	(6.8)	(8.1)	1.3	16	(13.4)	(8.9)	(4.5)	(51)
Foreign currency exchange	1.0	(1.1)	2.1	NM*	1.1	0.2	0.9	NM*
Total	$ 68.5	$ 48.7	$ 19.8	41	$ 111.0	$ 107.8	$ 3.2	3

* Not Meaningful

Investor Communication Solutions

Revenues. Investor Communication Solutions segment Revenues for the three months ended December 31, 2009 were $393.3 million, an increase of $97.8 million, or 33%, compared to $295.5 million for the three months ended December 31, 2008. The 33% increase was primarily driven by higher event-driven fee revenues and higher distribution revenues related to mutual fund proxy. Distribution revenues for the three months ended December 31, 2009 were $184.3 million, an increase of $32.5 million, or 21%, compared to the three months ended December 31, 2008. Also contributing to the Revenue increase were higher recurring revenues driven by a positive contribution from Net New Business in Transaction reporting primarily as a result of the recently signed seven-year contract with Morgan Stanley Smith Barney LLC (MSSB) and revenue gains from an acquisition, partially offset by negative internal growth. Position growth, a key measure in the number of pieces processed, was negative 5% for annual equity proxies and positive 6% for mutual fund interim communications. Equity proxy position growth in the second fiscal quarter historically has not been indicative of the full-year trend due to the seasonality of our business. The number of pieces processed increased 36% from 225.4 million pieces to 305.7 million pieces driven primarily by event-driven mutual fund proxy activity.

For the six months ended December 31, 2009, Revenues were $703.2 million, an increase of $93.9 million, or 15%, compared to $609.3 million for the six months ended December 31, 2008. The 15% increase was primarily driven by higher event-driven fee revenue related to mutual fund proxy and higher distribution revenues driven by product mix. Distribution revenues for the six months ended December 31, 2009 were $336.6

million, an increase of $19.2 million, or 6% compared to $317.4 million for the six months

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ended December 31, 2008. Also contributing to the Revenue increase were higher recurring revenues driven by a positive contribution from Net New Business in Transaction reporting primarily as a result of the recently signed seven-year contract with MSSB, and revenue gains from an acquisition. Internal growth was unchanged. Position growth, a key measure in the number of pieces processed, was negative 5% for annual equity proxies and positive 3% for mutual fund interim communications. Equity proxy position growth during first fiscal six months historically has not been indicative of the full-year trend due to the seasonality of our business. The number of pieces processed increased 15% from 474.1 million pieces to 546.5 million pieces driven primarily by event-driven mutual fund proxy activity.

Earnings from Continuing Operations before Income Taxes. Earnings from continuing operations before income taxes for the three months ended December 31, 2009 were $50.9 million, an increase of $31.1 million, compared to $19.8 million for the three months ended December 31, 2008. Margin increased by 6.2 percentage points to 12.9% primarily due to higher event-driven activity.

Earnings from continuing operations before income taxes for the six months ended December 31, 2009 were $74.3 million, an increase of $31.2 million, or 72%, compared to $43.1 million for the six months ended December 31, 2008. Margin increased by 3.5 percentage points to 10.6% due to higher event-driven activity.

Securities Processing Solutions

Revenues. Securities Processing Solutions segment Revenues for the three months ended December 31, 2009 were $133.8 million, a decrease of $12.7 million, or 9%, compared to $146.5 million for the three months ended December 31, 2008. The 9% decline in Revenues was driven by the carryover impact of price concessions granted in the second half of the fiscal year ended June 30, 2009 and lower trade volumes in our equity and fixed income businesses, slightly offset by an increase in Net New Business. Non-trade revenues and operations outsourcing were essentially unchanged.

Securities Processing Solutions segment Revenues for the six months ended December 31, 2009 were $263.9 million, a decrease of $22.0 million, or 8%, compared to $285.9 million for the six months ended December 31, 2008. The 8% decline in Revenues was driven by the carryover impact of price concessions granted in the second half of the fiscal year ended June 30, 2009 and lower trade volumes in our equity and fixed income businesses, slightly offset by an increase in Net New Business. Non-trade revenues and operations outsourcing were essentially unchanged.

Earnings from Continuing Operations before Income Taxes. Earnings from continuing operations before income taxes for the three months ended December 31, 2009 were $23.4 million, a decrease of $14.7 million, or 39%, compared to $38.1 million for the three months ended December 31, 2008. Margin decreased by 8.5 percentage points to 17.5% for the three months ended December 31, 2009. The decrease is primarily due to the impact of lower Revenues.

Earnings from continuing operations before income taxes for the six months ended December 31, 2009 were $49.0 million, a decrease of $24.4 million, or 33%, compared to $73.4 million for the six months ended December 31, 2008. Margin decreased by 7.1 percentage points to 18.6% for the six months ended December 31, 2009. The decrease is primarily due to the impact of lower Revenues.

Other

Revenues. Other segment Revenues were $2.2 million, an increase of $2.1 million for the three months ended December 31, 2009, compared to $0.1 million for the three months ended December 31, 2008 reflecting primarily one-time termination fees during the three months ended December 31, 2009.

Other segment Revenues were $2.2 million, an increase of $1.8 million for the six months ended December 31, 2009, compared to $0.4 million for the six months ended December 31, 2008, reflecting primarily one-time termination fees during the six months ended December 31, 2009.

Loss from Continuing Operations before Income Taxes. The primary component of Other expenses are certain unallocated expenses. Loss from continuing operations before income taxes was $6.8 million for the three months ended December 31, 2009, an improvement of $1.3 million, compared to an $8.1 million loss from continuing operations before income taxes for the three months ended December 31, 2008. The improvement reflects $2.0 million one-time termination fees during the three months ended December 31, 2009. Stock-based compensation expense decreased by $2.2 million due to special stock option grants to corporate officers during the three months ended December 31, 2008 which vested immediately, were expensed upon vest, and did not recur during the three months ended December 31, 2009. Corporate investment spending decreased by $1.6 million. Interest expense on our Long-term debt decreased by $0.8 million due to a decline in the weighted-average interest rate on our five-year term loan facility. These improvements were offset negatively by a change in foreign currency exchange gains and losses of $5.2 million.

Loss from continuing operations before income taxes increased to $13.4 million for the six months ended December 31, 2009, a decline of $4.5 million, compared to an $8.9 million loss from continuing operations before income taxes for the six months ended

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December 31, 2008. The increased loss reflects an $8.4 million gain during the prior year from the purchase of $125.0 million principal amount of the Senior Notes and a change in foreign currency exchange gains and losses of $8.2 million. These losses were partially offset by a reduction in corporate investment spending of $3.8 million, lower interest expense on our Long-term debt of $3.6 million due to a lower outstanding balance and the decline in the weighted-average interest rate on our five-year term loan facility, a decrease of $2.2 million in stock-based compensation expense due to the aforementioned special stock option grants to corporate officers, and $2.0 million in one-time termination fees during the six months ended December 31, 2009.

Financial Condition, Liquidity and Capital Resources

At December 31, 2009, Cash and cash equivalents were $147.1 million and Total stockholders equity was $846.7 million. At December 31, 2009, working capital was $559.6 million, compared to $621.9 million at June 30, 2009.

At December 31, 2009, the Company had $324.1 million of outstanding Long-term debt, consisting of a $200.0 million five-year term loan facility and $124.1 million principal amount of the Senior Notes. The Senior Notes are unsecured obligations of Broadridge and rank equally in right of payment with other unsecured and unsubordinated obligations of Broadridge. Interest is payable semiannually on June 1st and December 1st each year based on a fixed per annum rate equal to 6.125%.

Borrowings under the term loan facility bear interest at LIBOR plus 40 to 90 basis points based on debt ratings at the time of borrowing. The term loan facility was subject to interest at LIBOR plus 50 basis points as of December 31, 2009. The weighted-average interest rate on the five-year term loan facility were 0.79% and 0.95% during the three and six months ended December 31, 2009, respectively.

Based upon current and anticipated levels of operation, management believes that the Company s cash on hand and cash flows from operations, combined with borrowings available under credit facilities, will be sufficient to enable the Company to meet its current and anticipated cash operating requirements, capital expenditures and working capital needs. Please refer to the discussion of net cash flows used in financing activities in the following section for further discussion of the Company s financing activities.

Cash Flows

Net cash flows provided by operating activities of continuing operations were $118.8 million for the six months ended December 31, 2009, an increase of $26.1 million, compared to $92.7 million net cash flows provided during the six months ended December 31, 2008. The increase is primarily due to lower taxes paid in the current year.

Net cash flows used in investing activities of continuing operations for the six months ended December 31, 2009 were $20.0 million, a decrease of $2.6 million, compared to $22.6 million net cash flows used during the six months ended December 31, 2008. The decrease reflects lower spending of $8.9 million on acquisitions during the six months ended December 31, 2009, compared to the six months ended December 31, 2008, offset by an increase in capital expenditures and purchases of software of $6.3 million.

Net cash flows used in financing activities of continuing operations for the six months ended December 31, 2009 were $131.5 million. This represents a decrease of $10.5 million, compared to $142.0 million in net cash flows used in financing activities of continuing operations during the six months ended December 31, 2008. The decreased usage reflects $114.4 million of purchases of the Senior Notes in the prior year that did not recur and $25.6 million in higher proceeds from the exercise of stock options, offset by $120.2 million in higher repurchases of the Company s common stock, and an increase of $10.5 million in Dividends paid.

Liquidity Risk

Our liquidity position may be negatively affected by changes in general economic conditions, regulatory requirements and access to the capital markets, which may be limited if we were to fail to renew any of the credit facilities on their renewal dates or if we were to fail to meet certain ratios.

Based upon current and anticipated levels of operation, management believes that the Company s cash on hand and cash flows from operations, combined with borrowings available under credit facilities, will be sufficient to enable the Company to meet its current and anticipated cash operating requirements, capital expenditures and working capital needs. Please refer to the discussion of net cash flows used in financing activities in the preceding section for further discussion of the Company s financing activities.

Seasonality

Processing and distributing proxy materials and annual reports to investors in equity securities and mutual funds comprises a large portion of our Investor Communication Solutions business. We process and distribute the greatest number of proxy materials and annual reports during our fourth fiscal quarter (the second quarter of the calendar year). The recurring periodic activity of this business is linked to significant filing deadlines imposed by law on public reporting companies and mutual funds. Historically this has caused our revenues, operating income, net earnings, and cash flows from operating activities to be higher in our fourth fiscal quarter than in

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any other fiscal quarter. The seasonality of our revenues makes it difficult to estimate future operating results based on the results of any specific fiscal quarter and could affect an investor s ability to compare our financial condition, results of operations, and cash flows on a fiscal quarter-by-quarter basis.

Income Taxes

Our effective tax rates from continuing operations for the three and six months ended December 31, 2009 were 24.8% and 29.6%, respectively, compared to 38.4% and 38.7% for the three and six months ended December 31, 2008, respectively. The decrease in the effective tax rates is primarily attributable to the release of a valuation allowance on a deferred tax asset relating to tax loss carryforwards, approved certification for a state tax credit program, and lower enacted tax rates in certain non-U.S. tax jurisdictions for the six months ended December 31, 2009.

Contractual Obligations

The Company entered into a data center outsourcing services agreement with ADP before our spin-off from ADP in March 2007 under which ADP provides the Company with data center services consistent with the services provided to the Company immediately before the spin-off, provided that the operation of the data center is the sole responsibility of ADP. Among the principal services provided by the data center are information technology services and service delivery network services. The agreement with ADP provides for increasing volumes and the addition of new services over the term. Under the agreement, ADP is responsible for hosting the mainframe, midrange, open systems, and networks. Additionally, systems engineering, network engineering, hardware engineering, network operations, data center operations, application change management, and data center disaster recovery services are managed by ADP. The agreement will expire on June 30, 2012. For the three months ended December 31, 2009 and 2008, the Company recorded $26.1 million and $25.9 million, respectively, of expenses in the Condensed Consolidated Statements of Earnings related to these services. For the six months ended December 31, 2009 and 2008, the Company recorded $51.9 million and $51.3 million, respectively, of expenses in the Condensed Consolidated Statements of Earnings related to these services.

Other Commercial Agreements

The Company has a five-year revolving credit facility that expires in March 2012 that has an available capacity of $500.0 million and a revolving credit facility under which Ridge Clearing is the borrower and the Company is the guarantor that expires in August 2010 (which may be extended to August 2011 subject to certain conditions) that has an available capacity of $75.0 million. No amounts were outstanding under these credit facilities at December 31, 2009.

In addition, immediately prior to the separation from ADP, certain of the Company s foreign subsidiaries established unsecured, uncommitted lines of credit with banks. These lines of credit bear interest at the rate of LIBOR plus 250 basis points. There were approximately $0.2 million of outstanding borrowings under these lines of credit at December 31, 2009.

Off-balance Sheet Arrangements

It is not the Company s business practice to enter into off-balance sheet arrangements. However, the Company is exposed to market risk from changes in foreign currency exchange rates that could impact its financial position, results of operations and cash flows. The Company manages its exposure to these market risks through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company uses derivative financial instruments as risk management tools and not for trading purposes. The Company was not a party to any derivative financial instruments at December 31, 2009 or at June 30, 2009. In the normal course of business, the Company also enters into contracts in which it makes representations and warranties that relate to the performance of the Company s products and services. The Company does not expect any material losses related to such representations and warranties or collateral arrangements.

Recently-issued Accounting Pronouncements

Please refer to Note 2 New Accounting Pronouncements to our Financial Statements under Item 1 of Part I of this Quarterly Report on Form 10-Q for a discussion on the impact of new accounting pronouncements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company provides guarantees to securities clearinghouses and exchanges. Under the standard membership agreement, members are required to guarantee the performance of the other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearinghouse, the other members would be required to meet any shortfalls. The Company s liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried on the Condensed Consolidated Balance Sheets for these transactions.

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In the normal course of business, the securities activities of the clearing business primarily involve executions, settlement and financing of various securities transactions for a nationwide retail and institutional, customer and non-customer client base, introduced by its correspondent broker-dealers. These activities may expose the Company to financial risk in the event customers, other broker-dealers, banks, clearing organizations or depositories are unable to fulfill contractual obligations.

The Company may be exposed to a risk of loss not reflected in the Condensed Consolidated Balance Sheets for securities sold and not yet purchased, should the value of such securities rise. The securities lending activities of the Company s clearing business require the Company to pledge securities as collateral. In the event a counterparty is unable to meet its contractual obligation, the Company may be exposed to off-balance sheet risk of acquiring securities at prevailing market prices. The Company monitors the credit standing of counterparties with whom it conducts business. Financial risk is further controlled by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral level in the event of excess market exposure or instituting securities buy-in procedures when required.

At December 31, 2009, $200.0 million of our total $324.1 million outstanding Long-term debt is based on floating interest rates. Our term loan facility had $200.0 million outstanding at December 31, 2009. The interest rate is based on LIBOR plus 40 to 90 basis points based on our debt rating at the time of borrowing. The term loan facility was subject to interest at LIBOR plus 50 basis points at December 31, 2009. The weighted-average interest rates were 0.79% and 0.95% during the three and six months ended December 31, 2009, respectively.

Item 4. CONTROLS AND PROCEDURES

Management s Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2009. The Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2009 were effective to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934, as amended (the Exchange Act) is (i) recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In the normal course of business, the Company is subject to claims and litigation. While the outcome of any claim or litigation is inherently unpredictable, the Company believes that the ultimate resolution of these matters will not, individually or in the aggregate, result in a material adverse impact on its financial condition, results of operations, or cash flows.

Item 1A. RISK FACTORS

In addition to the information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the Risk Factors disclosed under Item 1A to Part I in our 2009 Annual Report on Form 10-K filed on August 11, 2009. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. Other than as set forth below, there have been no material changes to the risk factors we have disclosed in the Risk Factors section of our 2009 Annual Report on Form 10-K.

The following risk factors disclosed in the Risk Factors section of our 2009 Annual Report on Form 10-K, are hereby deleted in their entirety:

We have agreed to certain restrictions to preserve the treatment of the Distribution as tax-free to ADP and its stockholders, which will reduce our strategic and operating flexibility.

The IRS ruling and opinion from tax counsel confirming the tax-free status of the Distribution relied on certain representations and undertakings from us, and the tax-free status of the Distribution could be affected if these representations and undertakings are not correct or are violated. If the Distribution fails to qualify for tax-free treatment, it will be treated as a taxable dividend to ADP stockholders in an amount equal to the fair market value of our stock issued to ADP stockholders. In that event, ADP would be required to recognize a gain equal to the excess of the sum of the fair market value of our stock on the Distribution date and the amount of cash received in the cash distribution over ADP s tax basis in our stock.

In addition, current tax law generally creates a presumption that the Distribution would be taxable to ADP, but not to its stockholders, if we or our stockholders were to engage in a transaction that would result in a 50% or greater change by vote or by value in our stock ownership during the two-year period beginning on the Distribution date, unless it is established that the Distribution and the transaction are not part of a plan or series of related transactions to effect such a change in ownership. In the case of such a 50% or greater change in our stock ownership, tax imposed on ADP in respect of the Distribution would be based on the fair market value of our stock on the Distribution date over ADP s tax basis in our stock.

Under the tax allocation agreement that we entered into with ADP, we are generally prohibited, with a number of specified exceptions, for specified periods of up to 30 months following the Distribution, from:

- issuing, redeeming, or being involved in other significant acquisitions of our equity securities;
- transferring significant amounts of our assets;
- amending our certificate of incorporation or by-laws;
- failing to engage in the active conduct of a trade or business; or

engaging in certain other actions or transactions that could jeopardize the tax-free status of the Distribution.

We have agreed to indemnify ADP for taxes and related losses resulting from certain actions that may cause the Distribution to fail to qualify as a tax-free transaction.

Under the tax allocation agreement that we entered into with ADP, we agreed generally to indemnify ADP for taxes and related losses it suffers as a result of the Distribution failing to qualify as a tax-free transaction, if the taxes and related losses are attributable to:

direct or indirect acquisitions of our stock or assets (regardless of whether we consent to such acquisitions);

negotiations, understandings, agreements or arrangements in respect of such acquisitions; or

our failure to comply with certain representations and undertakings from us, including the restrictions described in the preceding risk factor.

See Item 1 of Part I The Separation of Broadridge from ADP Tax Allocation Agreement of this Annual Report on Form 10-K. Our indemnity covers both corporate level taxes and related losses imposed on ADP in the event of a 50% or greater change in our stock ownership described in the preceding risk factor, as well as taxes and related losses imposed on both ADP and its stockholders if, due to our representations or undertakings being incorrect or violated, the Distribution is determined to be taxable for other reasons.

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The indemnification obligation to ADP for taxes due in the event of a 50% or greater change in our stock ownership could be substantial, and it is unlikely that we would have the resources to satisfy it.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table contains information about our purchases of our equity securities for each of the three months during our second fiscal quarter ended December 31, 2009:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan(1)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans (1)
October 1, 2009 October 31, 2009				
November 1, 2009 November 30, 2009	2,281,396	$ 22.64	2,281,396	4,230,372
December 1, 2009 December 31, 2009	371,550	22.49	371,550	3,858,822
Total	2,652,946	$ 22.62	2,652,946	3,858,822

(1) On August 11, 2009, the Board of Directors authorized a stock repurchase plan for the repurchase of up to 10 million shares of the Company s common stock to offset share dilution created by the Company s equity compensation plans. During the fiscal quarter ended December 31, 2009, the Company purchased 2,652,946 shares of common stock under this plan at an average price per share of $22.62.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

At the Company s 2009 Annual Meeting of Stockholders held on November 18, 2009 (the 2009 Annual Meeting), the following actions were taken:

Proposal 1: Election of Directors. The stockholders elected nine Directors, seven of whom were then serving as Directors of Broadridge, for terms of one year and until their successors are elected and qualified. The following table reflects the tabulation of the votes with respect to each Director who was elected at the 2009 Annual Meeting:

	Votes For	Votes Against	Abstentions
Leslie A. Brun	113,437,490	4,396,121	833,219
Richard J. Daly	117,186,031	650,689	830,110
Robert N. Duelks	117,111,764	702,207	852,859
Richard J. Haviland	116,307,155	1,523,733	835,942
Alexandra Lebenthal	117,289,033	528,560	849,237
Stuart R. Levine	116,255,838	1,457,626	953,366

Thomas J. Perna	117,110,210	707,317	849,303
Alan J. Weber	117,174,805	644,743	847,282
Arthur F. Weinbach	115,446,183	2,391,883	828,764

Proposal 2: Ratification of Appointment of Auditors. A proposal by the Board of Directors to ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm to conduct the annual audit of the financial statements of the Company and its subsidiaries for the fiscal year ending June 30, 2010, was approved by the stockholders. The stockholders cast 118,228,026 votes in favor of this proposal and 311,047 votes against. There were 127,757 abstentions.

Proposal 3: Approval of the Amendment of our 2007 Omnibus Award Plan. A proposal by the Board of Directors to amend the Broadridge Financial Solutions, Inc. 2007 Omnibus Award Plan was approved by the stockholders. The stockholders cast 75,842,237 votes in favor of this proposal and 21,686,144 votes against. There were 247,107 abstentions.

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Item 5. OTHER INFORMATION

None.

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Item 6. EXHIBITS

2.1	Asset Purchase Agreement dated as of November 2, 2009, by and among Penson Worldwide, Inc., Penson Financial Services, Inc., Broadridge Financial Solutions, Inc. and Ridge Clearing & Outsourcing Solutions, Inc.[1] [2]
10.1	Master Services Agreement dated as of November 2, 2009, by and between Penson Worldwide, Inc. and Broadridge Financial Solutions, Inc. [2]
31.1	Certification of the Chief Executive Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 or Rule 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 or Rule 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

1. Schedules to the Asset Purchase Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby undertakes to furnish supplemental copies of any omitted schedules upon request by the Securities and Exchange Commission.
2. Certain Confidential Information contained in this Exhibit was omitted by means of redacting a portion of the text and replacing it with an asterisk. This Exhibit has been filed separately with the Secretary of the Securities and Exchange Commission without the redaction pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned hereunto duly authorized.

BROADRIDGE FINANCIAL SOLUTIONS, INC.

Date: February 4, 2010	By:	/s/ Dan Sheldon **Dan Sheldon** **Vice President, Chief Financial Officer** **(Principal Financial and Accounting Officer)**

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