DICE HOLDINGS, INC.
Form 10-Q
October 26, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

£ TRANSITION PERIOD PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 001-33584

DICE HOLDINGS, INC.
(Exact name of Registrant as specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-3179218 (I.R.S. Employer Identification No.)
1040 Avenue of the Americas, 16th Floor New York, New York (Address of principal executive offices)	 10018 (Zip Code)

(212) 725-6550
(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 such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No £

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

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

Large accelerated filer £ Accelerated filer R Non-accelerated filer £ Smaller Reporting Company £

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

As of October 19, 2012, there were 59,632,328 shares of the registrant's common stock, par value $.01 per share, outstanding.

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PART I.
Item 1. Financial Statements
DICE HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands, except per share data)

	September 30, 2012	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$46,322	$55,237
Investments	3,701	4,983
Accounts receivable, net of allowance for doubtful accounts of $1,406 and $1,515	21,859	20,684
Deferred income taxes—current	888	509
Prepaid and other current assets	2,614	2,190
Total current assets	75,384	83,603
Fixed assets, net	10,539	8,726
Acquired intangible assets, net	62,142	56,471
Goodwill	184,714	176,365
Deferred financing costs, net of accumulated amortization of $71 and $650	1,138	957
Other assets	583	256
Total assets	$334,500	$326,378
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$14,416	$14,599
Deferred revenue	66,144	60,887
Current portion of acquisition related contingencies	—	1,557
Current portion of long-term debt	—	4,000
Income taxes payable	2,896	2,929
Total current liabilities	83,456	83,972
Long-term debt	42,000	11,000
Deferred income taxes—non-current	14,998	17,167
Accrual for unrecognized tax benefits	2,402	3,869
Other long-term liabilities	1,150	1,154
Total liabilities	144,006	117,162
Commitments and contingencies (Note 8)		
Stockholders' equity		
Convertible preferred stock, $.01 par value, authorized 20,000 shares; no shares issued and outstanding	—	—
Common stock, $.01 par value, authorized 240,000; issued 70,729 and 69,364 shares, respectively; outstanding: 59,990 and 65,070 shares, respectively	707	694
Additional paid-in capital	292,000	285,153
Accumulated other comprehensive loss	(9,296)	(12,052)
Accumulated earnings (deficit)	7,573	(21,501)
Treasury stock, 10,739 and 4,294 shares, respectively	(100,490)	(43,078)
Total stockholders' equity	190,494	209,216
Total liabilities and stockholders' equity	$334,500	$326,378

See accompanying notes to the condensed consolidated financial statements.

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DICE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues	$48,038	$46,804	$142,625	$131,774
Operating expenses:				
Cost of revenues	3,603	3,333	10,555	9,616
Product development	3,874	2,602	10,250	7,470
Sales and marketing	16,194	14,898	48,801	44,646
General and administrative	6,736	6,073	19,753	17,827
Depreciation	1,505	1,250	4,031	3,414
Amortization of intangible assets	1,419	2,475	4,954	7,404
Change in acquisition related contingencies	—	1,174	—	3,156
Total operating expenses	33,331	31,805	98,344	93,533
Operating income	14,707	14,999	44,281	38,241
Interest expense	(327)	(333)	(1,696)	(1,119)
Interest income	16	37	72	92
Income before income taxes	14,396	14,703	42,657	37,214
Income tax expense	3,395	5,392	13,583	13,574
Net income	$11,001	$9,311	$29,074	$23,640
Basic earnings per share	$0.18	$0.14	$0.47	$0.36
Diluted earnings per share	$0.17	$0.13	$0.44	$0.34
Weighted-average basic shares outstanding	59,907	66,447	62,214	66,004
Weighted-average diluted shares outstanding	63,143	70,157	65,636	70,477

See accompanying notes to the condensed consolidated financial statements.

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DICE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	$11,001	$9,311	$29,074	$23,640
Foreign currency translation adjustment	2,156	(2,163)	2,749	617
Unrealized gains (losses) on investments, net of tax of $0, $0, $5 and $0	(1)	—	7	(1)
Total other comprehensive income (loss)	2,155	(2,163)	2,756	616
Comprehensive income	$13,156	$7,148	$31,830	$24,256

See accompanying notes to the condensed consolidated financial statements.

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DICE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	$29,074	$23,640
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	4,031	3,414
Amortization of intangible assets	4,954	7,404
Deferred income taxes	(2,543)	(1,845)
Amortization of deferred financing costs	1,028	346
Share based compensation	4,621	3,386
Change in acquisition related contingencies	—	3,156
Change in accrual for unrecognized tax benefits	(1,467)	(550)
Changes in operating assets and liabilities:		
Accounts receivable	3,857	217
Prepaid expenses and other assets	(500)	(894)
Accounts payable and accrued expenses	(975)	(193)
Income taxes receivable/payable	(135)	7,229
Deferred revenue	2,521	10,188
Other, net	51	10
Net cash flows from operating activities	44,517	55,508
Cash flows from investing activities:		
Payments for acquisitions	(21,000)	—
Purchases of fixed assets	(4,031)	(5,319)
Purchases of investments	(1,738)	(4,988)
Maturities and sales of investments	3,005	2,150
Net cash flows from investing activities	(23,764)	(8,157)
Cash flows from financing activities:		
Payments on long-term debt	(23,500)	(25,000)
Proceeds from long-term debt	50,500	—
Proceeds from sale of common stock	—	11,943
Purchase of treasury stock related to option exercises	—	(11,943)
Payments under stock repurchase plan	(56,840)	(7,454)
Payment of acquisition related contingencies	(1,557)	(230)
Proceeds from stock option exercises	1,319	4,443
Purchase of treasury stock related to vested restricted stock	(403)	(171)
Excess tax benefit over book expense from stock options exercised	921	7,444
Financing costs paid	(1,101)	—
Net cash flows from financing activities	(30,661)	(20,968)
Effect of exchange rate changes	993	93
Net change in cash and cash equivalents for the period	(8,915)	26,476
Cash and cash equivalents, beginning of period	55,237	43,030
Cash and cash equivalents, end of period	$46,322	$69,506

See accompanying notes to the condensed consolidated financial statements.

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DICE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Dice Holdings, Inc. (“DHI” or the “Company”) have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual audited financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been omitted and condensed pursuant to such rules and regulations. In the opinion of the Company’s management, all adjustments (consisting of only normal and recurring accruals) have been made to present fairly the financial positions, results of operations and cash flows for the periods presented. Although the Company believes that the disclosures are adequate to make the information presented not misleading, these financial statements should be read in conjunction with the Company’s audited consolidated financial statements as of and for the year ended December 31, 2011 that are included in the Company’s Annual Report on Form 10-K. Operating results for the nine month period ended September 30, 2012 are not necessarily indicative of the results to be achieved for the full year. Preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the period. Management believes the most complex and sensitive judgments, because of their significance to the condensed consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results could differ materially from management’s estimates. There have been no significant changes in the Company’s assumptions regarding critical accounting estimates during the nine month period ended September 30, 2012.

2. NEW ACCOUNTING STANDARDS

In July 2012, the FASB issued ASU No. 2012-02, which amends the guidance in ASC 350-30 on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the revised guidance, companies testing an indefinite-lived intangible asset for impairment have the option of performing a qualitative assessment before calculating the fair value of the asset (i.e. step 1 of the impairment test). If companies determine, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is more likely than not less than the carrying amount, the two-step impairment test would be required. This update is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. There is no significant impact of adoption on the Company's Consolidated Financial Statements.

3. ACQUISITIONS

On September 17, 2012, the Company purchased certain assets of Geeknet, Inc.'s online media business (“Geeknet Media”), which is comprised of Slashdot, SourceForge and Freecode websites. The purchase price consisted of $20.0 million in cash, of which $3.0 million is being held in escrow. The acquisition resulted in recording intangible assets of $9.7 million and goodwill of $6.2 million.

The assets acquired and liabilities assumed were recorded at fair value as of the acquisition date. The acquired accounts receivable of $5.1 million were recorded at fair value of $4.8 million. The assets and liabilities recognized as of the acquisition date include (in thousands):

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	As of Acquisition, September 17, 2012
Assets:	
Accounts receivable	$4,800
Acquired intangible assets	9,700
Goodwill	6,221
Fixed assets	1,922
Other assets	230
Assets acquired	22,873
Liabilities:	
Accounts payable and accrued expenses	$429
Deferred revenue	2,444
Liabilities assumed	2,873
Net Assets Acquired	$20,000

Goodwill results from the expansion of the Company's market share in the Tech & Clearance vertical, from intangible assets that do not qualify for separate recognition, including an assembled workforce and site traffic, and from expected synergies from combining operations of Geeknet Media into the Company's existing operations. Goodwill is deductible for tax purposes.

Pro forma Information—The following pro forma condensed consolidated results of operations are presented as if the acquisition of Geeknet Media was completed as of January 1, 2011:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues	$51,886	$51,811	$156,501	$147,242
Net income	14,669	9,575	33,083	24,503

The pro forma financial information represents the combined historical operating results of the Company and Geeknet Media with adjustments for purchase accounting and is not necessarily indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of the periods presented. The pro forma adjustments included adjustments for interest on borrowings, amortization of acquired intangible assets and the related income tax impacts of such adjustments.

The Condensed Consolidated Statements of Operations for the three and nine month periods ended September 30, 2012 include revenues from this acquisition of $761,000 and an operating loss of $203,000.

On June 29, 2012, the Company purchased certain assets of FINS.com, resulting in recording of identifiable intangible assets for candidate database, mobile application technology and brand names. Refer to Note 6 "Acquired Intangible Assets". The FINS.com acquisition is not deemed significant to the Company's financial results, thus limited disclosures are presented herein.

In October 2012, the Company acquired a technology company focused on the recruitment industry for $10.0 million in cash, plus deferred payments totaling $10.0 million in the aggregate payable in 2013-2014 based on delivery of certain products.

4. FAIR VALUE MEASUREMENTS

The FASB ASC topic on Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value and requires certain disclosures for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. As a basis for considering assumptions, a three-tier fair value hierarchy is used, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Quoted prices for identical instruments in active markets.

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- Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.
- Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Money market funds are included in cash and cash equivalents on the Condensed Consolidated Balance Sheets. The money market funds are valued using quoted prices in the market, and investments are valued using significant other observable inputs. The carrying amounts reported in the Condensed Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and long-term debt approximate their fair values. The Company estimated the fair value of long-term debt using Level 3 inputs, based on an estimate of current rates for debt of the same remaining maturities.

The Company had obligations, to be paid in cash, related to its acquisitions if certain future operating and financial goals were met. The fair value of this contingent consideration was determined using an expected present value technique. Expected cash flows were determined using the probability weighted-average of possible outcomes that would occur should certain events and certain financial metrics be reached. There was no market data available to use in valuing the contingent consideration; therefore, the Company developed its own assumptions related to the future financial performance of the businesses to estimate the fair value of these liabilities. The liabilities for the contingent consideration were established at the time of acquisition and were evaluated at each reporting period. A $1.6 million payment for WorldwideWorker was made during the nine month period ended September 30, 2012, bringing the contingent consideration to be paid in the future to zero at September 30, 2012.

The assets and liabilities measured at fair value on a recurring basis are as follows (in thousands):

	As of September 30, 2012 Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	$17,588	$—	$—	$17,588
Investments	—	3,701	—	3,701

	As of December 31, 2011 Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	$25,383	$—	$—	$25,383
Investments	—	4,983	—	4,983
Contingent consideration to be paid in cash for the acquisitions	—	—	1,557	1,557

Reconciliations of liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Contingent consideration for acquisitions				

Balance at beginning of period	$—	$13,122	$1,557	$11,370
Cash payments	—	—	(1,557)	(230)
Change in estimates included in earnings	—	1,174	—	3,156
Balance at end of period	$—	$14,296	$—	$14,296

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Certain assets and liabilities are measured at fair value on a non-recurring basis and therefore are not included in the table above. These assets include goodwill and intangible assets which result as acquisitions occur. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable. Such instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment.

The Company determines whether the carrying value of recorded goodwill is impaired for each reporting unit on an annual basis or more frequently if indicators of potential impairment exist for each reporting unit. The impairment test for goodwill for the reporting units from the 2005 Dice Inc. acquisition is performed annually as of August 31 and last resulted in no impairment. The impairment test for goodwill for the reporting units from the 2006 eFinancialCareers acquisition, the 2009 AllHealthcareJobs acquisition and the 2010 WorldwideWorker and Rigzone acquisitions are performed annually as of October 31 and last resulted in no impairment. In testing goodwill for impairment, a qualitative assessment can be performed and if it is determined that the fair value of the reporting unit is more likely than not less than the carrying amount, the two step impairment test is required. The first step of the impairment review process compares the fair value of the reporting unit in which the goodwill resides to the carrying value of that reporting unit. The second step measures the amount of impairment loss, if any, by comparing the implied fair value of the reporting unit goodwill with its carrying amount. The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the reporting units. Fair values of each reporting unit are determined either by using a discounted cash flow methodology or by using a combination of a discounted cash flow methodology and a market comparable method. The discounted cash flow methodology is based on projections of the amounts and timing of future revenues and cash flows, assumed discount rates and other assumptions as deemed appropriate. Factors such as historical performance, anticipated market conditions, operating expense trends and capital expenditure requirements are considered. Additionally, the discounted cash flows analysis takes into consideration cash expenditures for product development, other technological updates and advancements to the websites and investments to improve the candidate databases. The market comparable method indicates the fair value of a business by comparing it to publicly traded companies in similar lines of business or to comparable transactions or assets. Considerations for factors such as size, growth, profitability, risk and return on investment are analyzed and compared to the comparable businesses and adjustments are made. A market value of invested capital of the publicly traded companies is calculated and then applied to the entity's operating results to arrive at an estimate of value. No impairment was indicated during the most recent annual impairment tests. The fair value of each reporting unit was substantially in excess of the carrying value.

The indefinite-lived acquired intangible assets include the Dice trademarks and brand name. The Company determines whether the carrying value of recorded indefinite-lived acquired intangible assets is impaired on an annual basis or more frequently if indicators of potential impairment exist. The impairment test is performed annually as of August 31 and last resulted in no impairment. The impairment review process compares the fair value of the indefinite-lived acquired intangible assets to its carrying value. If the carrying value exceeds the fair value, an impairment loss is recorded. The determination of whether or not indefinite-lived acquired intangible assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the indefinite-lived acquired intangible assets. Fair values are determined using a profit allocation methodology, which estimates the value of the trademark and brand name by capitalizing the profits saved because the company owns the asset. Factors such as historical performance, anticipated market conditions, operating expense trends and capital expenditure requirements are considered. Changes in Company strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets.

5. INVESTMENTS

DHI's investments are stated at fair value. These investments are available-for-sale. The following tables summarize the Company's investments (in thousands):

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	As of September 30, 2012			
	Maturity	Gross Amortized Cost	Gross Unrealized Gain	Estimated Fair Value
U.S. Government and agencies	Within one year	$1,253	$2	$1,255
U.S. Government and agencies	1 to 5 years	250	—	250
Certificates of deposit	Within one year	1,207	4	1,211
Certificates of deposit	1 to 5 years	979	6	985
Total		$3,689	$12	$3,701

	As of December 31, 2011			
	Maturity	Gross Amortized Cost	Gross Unrealized Gain	Estimated Fair Value
U.S. Government and agencies	Within one year	$759	$1	$760
U.S. Government and agencies	1 to 5 years	1,516	2	1,518
Certificates of deposit	Within one year	1,239	1	1,240
Certificates of deposit	1 to 5 years	1,464	1	1,465
Total		$4,978	$5	$4,983

6. ACQUIRED INTANGIBLE ASSETS, NET

Below is a summary of the major acquired intangible assets and the weighted-average amortization period for the acquired identifiable intangible assets (in thousands):

	As of September 30, 2012						
	Cost	Acquisitions	Total Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Acquired Intangible Assets, Net	Weighted-Average Amortization Period
Technology	$17,500	$ 2,300	$19,800	$ (14,594)	$ (61)	$ 5,145	3.7 years
Trademarks and brand names—Dice	39,000	—	39,000	—	—	39,000	Indefinite
Trademarks and brand names—Other	15,490	2,525	18,015	(8,576)	(498)	8,941	6.1 years
Customer lists	41,513	3,700	45,213	(38,259)	(724)	6,230	4.8 years
Candidate and content database	28,241	2,100	30,341	(27,469)	(46)	2,826	2.8 years
Acquired intangible assets, net	$141,744	$ 10,625	$152,369	$ (88,898)	$ (1,329)	$ 62,142	

	As of December 31, 2011				
	Total Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Acquired Intangible Assets, Net	Weighted-Average Amortization Period
Technology	$18,000	$(14,277)	$(61)	$3,662	3.8 years
Trademarks and brand names—Dice	39,000	—	—	39,000	Indefinite
Trademarks and brand names—Other	16,790	(9,095)	(495)	7,200	5.1 years

Customer lists	41,513	(37,430)	(720)	3,363	4.6 years
Candidate and content database	28,241	(24,949)	(46)	3,246	3.0 years
Acquired intangible assets, net	$143,544	$(85,751)	$(1,322)	$56,471	

The WorldwideWorker brand and technology were retired during the nine months ended September 30, 2012. The total cost and accumulated amortization were reduced from the total cost as of September 30, 2012.
Identifiable intangible assets for the Geeknet Media and FINS.com acquisitions are included in the total cost as of September 30, 2012. The weighted-average amortization period for the technology, trademarks and brand names, customer

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lists and candidate and content database are 2.8 years, 6.3 years, 10.0 years and 1.6 years, respectively.
Based on the carrying value of the acquired finite-lived intangible assets recorded as of September 30, 2012, and assuming no subsequent impairment of the underlying assets, the estimated future amortization expense is as follows (in thousands):

October 1, 2012 through December 31, 2012	$1,544
2013	5,774
2014	4,888
2015	3,271
2016	1,632
2017 and thereafter	6,033

7. INDEBTEDNESS

In June 2012, the Company, together with Dice Inc. and Dice Career Solutions, Inc. (collectively, the “Borrowers”) entered into a new Credit Agreement (the “Credit Agreement”), which provides for a revolving facility of $155.0 million maturing in June 2017. The Borrowers used $14.2 million of the proceeds from the Credit Agreement to pay the full amount of indebtedness and interest outstanding under the previously existing credit facility dated July 2010, terminating that facility. A portion of the proceeds was also used to pay certain costs associated with the Credit Agreement and for working capital purposes.
Borrowings under the Credit Agreement bear interest at the Company’s option, at a LIBOR rate or a base rate plus a margin. The margin ranges from 1.75% to 2.50% on LIBOR loans and 0.75% to 1.50% on base rate loans, determined by the Company’s most recent consolidated leverage ratio. The facility may be prepaid at any time without penalty.
The Credit Agreement contains various customary affirmative and negative covenants and also contains certain financial covenants, including a consolidated leverage ratio and a consolidated interest coverage ratio. Negative covenants include restrictions on incurring certain liens; making certain payments, such as stock repurchases and dividend payments; making certain investments; making certain acquisitions; and incurring additional indebtedness. The Credit Agreement also provides that the payment of obligations may be accelerated upon the occurrence of customary events of default, including, but not limited to, non-payment, change of control, or insolvency. As of September 30, 2012, the Company was in compliance with all of the financial and other covenants under the Credit Agreement.
The obligations under the Credit Agreement are guaranteed by three of the Company’s wholly-owned subsidiaries, eFinancialCareers, Inc. (formerly known as JobsintheMoney.com, Inc.), Targeted Job Fairs, Inc., and Rigzone.com, Inc., and secured by substantially all of the assets of the Borrowers and the guarantors and stock pledges from certain of the Company’s foreign subsidiaries.
Debt issuance costs of approximately $1.2 million were incurred and are being amortized over the life of the loan. These costs are included in interest expense. Unamortized deferred financing costs from the previous credit facility of $765,000 were written off and are included in interest expense during the nine months ended September 30, 2012.
The Company's previous credit facility, which was in place from July 2010 to June 2012, provided for a revolving facility of $70.0 million and a term facility of $20.0 million and bore interest at a LIBOR rate, LIBOR rate, or base rate plus a margin. The margin ranges were from 2.75% to 3.50% on LIBOR loans and 1.75% to 2.50% on base rate loans.
The amounts borrowed as of September 30, 2012 and December 31, 2011 are as follows (dollars in thousands):

	September 30, 2012	December 31, 2011
Amounts Borrowed:		
LIBOR rate loans	$42,000	$15,000
Base rate loans	—	—
Total borrowed	$42,000	$15,000
Term loan facility	n.a.	$15,000
Revolving credit facility	42,000	—
Total borrowed	$42,000	$15,000
Maximum available to be borrowed under revolving facility	$113,000	$70,000
Interest rates:		
LIBOR rate loans:		
Interest margin	1.75 %	2.75 %
Actual interest rates	2.00 %	3.04 %

Borrowings during the three months ended September 30, 2012 were to fund the Geeknet Media acquisition and stock repurchases. There are no scheduled amortization payments until maturity of the Credit Agreement in June 2017.

8. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases equipment and office space under operating leases expiring at various dates through February 2020. Future minimum lease payments under non-cancelable operating leases as of September 30, 2012 are as follows (in thousands):

October 1, 2012 through December 31, 2012	$552
2013	1,644
2014	1,511
2015	1,517
2016 and thereafter	5,356
Total minimum payments	$10,580

Rent expense was $575,000 and $1.6 million for the three and nine month periods ended September 30, 2012, respectively, and $470,000 and $1.3 million for the three and nine month periods ended September 30, 2011, respectively, and is included in General and Administrative expense on the Condensed Consolidated Statements of Operations. The Company entered into a lease for office space in London through July 2018 to replace existing office space. Future minimum payments increased by $3.4 million for this lease.

Litigation

The Company is subject to various claims from taxing authorities, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of these legal matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material effect on the Company’s financial condition, operations or liquidity.

Tax Contingencies

The Company operates in a number of tax jurisdictions and is subject to audits and reviews by various taxation authorities with respect to income, payroll, sales and use and other taxes and remittances. The Company may become subject to future tax assessments by various authorities for current or prior periods. The determination of the Company's worldwide provision for taxes requires judgment and estimation. There are many transactions and calculations where the ultimate tax

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determination is uncertain. The Company has recorded certain provisions for our tax estimates which we believe are reasonable.
The lower rate in the three month period ended September 30, 2012 is due to a change in the accrual for unrecognized tax benefits. The accrual decreased by $1.7 million in the current period because of the lapse of the statute of limitations with regard to various uncertain tax positions.

9. EQUITY TRANSACTIONS

Offerings of Stock—On February 22, 2011, the Company completed a secondary offering of its common stock. The Company sold 868,524 shares of its common stock and selling stockholders sold an additional 7,181,476 shares of common stock at a price of $14.25 per share less underwriting commissions. The proceeds, net of underwriting commissions, received by the Company were $11.9 million. The Company used the proceeds to purchase shares of the Company's common stock from certain members of the Company's management and board of directors. The purchase of these shares resulted in treasury stock being held by the Company. The Company is currently holding the shares in a treasury stock account. The Company did not receive any proceeds from the sale of shares by the selling stockholders.
On May 13, 2011, certain stockholders completed a sale of 8,000,000 shares of common stock. No shares were sold by the Company, and the Company did not receive any proceeds from the sale of shares by the selling stockholders.
Stock Repurchase Plan—On August 15, 2011, the Company's Board of Directors approved a stock repurchase program that permitted the Company to repurchase up to $30 million of its common stock over a one year period (the “Stock Repurchase Plan I”). This plan concluded on March 8, 2012.
In March 2012, the Company's Board of Directors approved a stock repurchase program that permits the Company to repurchase up to $65 million of its common stock (the “Stock Repurchase Plan II” and, together with the Stock Repurchase Plan I, the “Stock Repurchase Plans”). This new authorization became effective upon the completion of the Stock Repurchase Plan I and will be in effect for one year.
During the three months ended September 30, 2012, the Company purchased approximately 2.7 million shares of its common stock on the open market. These shares were purchased at an average cost of $8.15 per share, for a total cost of approximately $22.4 million. Approximately $631,000 of share repurchases had not settled as of September 30, 2012, and this amount is included in accounts payable and accrued expenses in the accompanying Condensed Consolidated Balance Sheet as of September 30, 2012. As of September 30, 2012, there was approximately $18.0 million remaining under the Stock Repurchase Plan II.

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income (loss), net consists of the following components, net of tax, (in thousands):

	September 30, 2012		December 31, 2011	
Foreign currency translation adjustment, net of tax of $1,336 and $1,336	$(9,303	)	$(12,055	)
Unrealized gains on investments, net of tax of $5 and $0	7		3	
Total accumulated other comprehensive loss, net	$(9,296	)	$(12,052	)

11. STOCK BASED COMPENSATION

The Company previously had two plans (the 2005 Plan and 2007 Plan) under which it could grant stock-based awards to certain employees, directors and consultants of the Company and its subsidiaries. On April 20, 2012, at the Company's Annual Meeting of Stockholders, the stockholders approved the Company's 2012 Omnibus Equity Award Plan. Compensation expense for stock-based awards made to employees, directors and consultants in return for service is recorded in accordance with Compensation-Stock Compensation of the FASB ASC. The expense is measured at the grant-date fair value of the award and recognized as compensation expense on a straight-line basis over the service period, which is the vesting period. The Company estimates forfeitures that it expects will occur and records expense based upon the number of awards expected to vest.

The Company recorded stock based compensation expense of $1.6 million and $4.6 million during the three and nine month periods ended September 30, 2012, respectively, and $1.2 million and $3.4 million during the three and nine month

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periods ended September 30, 2011, respectively. At September 30, 2012, there was $15.5 million of unrecognized compensation expense related to unvested awards, which is expected to be recognized over a weighted-average period of approximately 1.7 years.

Restricted Stock- Restricted stock is granted to employees and to non-employee members of the Company's Board. These shares are part of the compensation plan for services provided by the employees or Board members. The closing price of the Company's stock on the date of grant was used to determine the fair value of the grants. The expense related to the restricted stock grants is recorded over the vesting period. There was no cash flow impact resulting from the grants.

A summary of the status of restricted stock awards as of September 30, 2012 and 2011, and the changes during the periods then ended is presented below:

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	Shares		Weighted-Average Fair Value at Grant Date	Shares		Weighted-Average Fair Value at Grant Date
Non-vested at beginning of the period	1,202,244		$10.28	523,500		$13.16
Granted- Restricted Stock	17,500		$8.71	14,000		$12.65
Forfeited during the period	(14,250	)	$10.86	(13,250	)	$14.50
Vested during the period	(3,500	)	$12.65	—		$—
Non-vested at end of period	1,201,994		$10.25	524,250		$13.12

	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011		
	Shares		Weighted-Average Fair Value at Grant Date	Shares		Weighted-Average Fair Value at Grant Date
Non-vested at beginning of the period	550,250		$12.98	140,000		$6.59
Granted- Restricted Stock	862,300		$9.01	451,500		$14.52
Forfeited during the period	(61,625	)	$10.73	(14,250	)	$14.50
Vested during the period	(148,931	)	$12.98	(53,000	)	$7.42
Non-vested at end of period	1,201,994		$10.25	524,250		$13.12

Stock Options- The fair value of each option grant is estimated using the Black-Scholes option-pricing model using the weighted-average assumptions in the table below. Because the Company's stock has not been publicly traded for a period long enough to use to determine volatility, the average implied volatility rate for a similar entity was used. The expected life of options granted is derived from historical exercise behavior. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury rates in effect at the time of grant.

	Nine Months Ended September 30,			
	2012		2011	
The weighted average fair value of options granted	$4.42		$6.34	
Dividend yield	—	%	—	%
Weighted average risk free interest rate	0.84	%	2.16	%
Weighted average expected volatility	60.13	%	49.92	%
Expected life (in years)	4.6		4.6	

A summary of the status of options granted as of September 30, 2012, and 2011, and the changes during the periods then ended is presented below:

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	Three Months Ended September 30, 2012		
	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at beginning of period	8,755,825	$ 4.58	$43,682,363
Exercised	(35,179)	$ 5.34	$94,628
Forfeited	(2,813)	$ 9.16	—
Options outstanding at end of period	8,717,833	$ 4.58	$35,795,158

	Three Months Ended September 30, 2011		
	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at beginning of period	9,271,767	$ 4.10	$87,646,935
Exercised	(302,790)	$ 1.09	$3,362,424
Forfeited	(56,938)	$ 9.54	—
Options outstanding at end of period	8,912,039	$ 4.17	$34,876,386

	Nine Months Ended September 30, 2012		
	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at beginning of period	8,826,199	$ 4.19	$38,284,701
Granted	523,000	$ 9.01	—
Exercised	(563,990)	$ 2.33	$4,240,828
Forfeited	(67,376)	$ 6.95	—
Options outstanding at end of period	8,717,833	$ 4.58	$35,795,158
Exercisable at end of period	7,239,323	$ 3.91	$33,479,422

	Nine Months Ended September 30, 2011		
	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at beginning of period	10,763,097	$ 3.57	$116,085,316
Granted	291,000	$ 14.50	—
Exercised	(2,007,618)	$ 2.21	$24,398,195
Forfeited	(134,440)	$ 7.59	—
Options outstanding at end of period	8,912,039	$ 4.17	$34,876,386
Exercisable at end of period	6,739,703	$ 3.38	$29,995,153

The weighted-average remaining contractual term of options exercisable at September 30, 2012 is 3.3 years. The following table summarizes information about options outstanding as of September 30, 2012:

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Exercise Price	Options Outstanding		Options Exercisable
	Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Number Exercisable
$ 0.20 - $ 0.99	1,283,336	2.9	1,283,336
$ 1.00 - $ 3.99	2,713,810	3.1	2,524,503
$ 4.00 - $ 5.99	601,854	4.1	587,885
$ 6.00 - $ 8.99	3,637,858	4.0	2,648,300
$ 9.00 - $ 14.50	480,975	5.4	195,299
	8,717,833		7,239,323

12. SEGMENT INFORMATION

The Company has three reportable segments: Tech & Clearance, Finance, and Energy. The Tech & Clearance reportable segment includes the Dice.com, ClearanceJobs.com and Geeknet Media services (since the date of acquisition). The Finance reportable segment includes the eFinancialCareers service worldwide, including both the operating segments of North America and International. The Energy reportable segment includes the Rigzone service. Management has organized its reportable segments based upon the industry verticals served. Each of the reportable segments generates revenue from sales of recruitment packages and related services. The Company has other services and activities that individually are not more than 10% of consolidated revenues, net income or total assets. These include AllHealthcareJobs and Targeted Job Fairs, and are reported in the "Other" category. The Company's foreign operations are comprised of a portion of the eFinancialCareers and Rigzone services, which operate in Europe, the Middle East and Asia Pacific.

The following table shows the segment information (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
By Segment:				
Revenues:				
Tech & Clearance	$32,975	$29,982	$96,278	$83,925
Finance	9,379	11,738	29,141	33,840
Energy	4,486	4,076	13,813	11,377
Other	1,198	1,008	3,393	2,632
Total revenues	$48,038	$46,804	$142,625	$131,774
Depreciation:				
Tech & Clearance	$1,255	$1,036	$3,319	$2,787
Finance	160	136	446	391
Energy	24	19	70	78
Other	66	59	196	158
Total depreciation	$1,505	$1,250	$4,031	$3,414
Amortization:				
Tech & Clearance	$97	$—	$97	$—
Finance	194	243	194	731

Energy	1,092	2,125	4,426	6,000
Other	36	107	237	673
Total amortization	$1,419	$2,475	$4,954	$7,404

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	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Operating income (loss):				
Tech & Clearance	$13,096	$12,605	$37,464	$31,594
Finance	2,053	4,743	8,793	13,234
Energy	708	(1,781)	614	(4,521)
Other	(1,150)	(568)	(2,590)	(2,066)
Operating income	14,707	14,999	44,281	38,241
Interest expense	(327)	(333)	(1,696)	(1,119)
Interest income	16	37	72	92
Income before income taxes	$14,396	$14,703	$42,657	$37,214
Capital expenditures:				
Tech & Clearance	$836	$1,742	$3,143	$4,830
Finance	368	71	701	299
Energy	4	4	14	55
Other	79	23	177	157
Total capital expenditures	$1,287	$		