DICE HOLDINGS, INC.
Form 10-Q
July 23, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 001-33584

DICE HOLDINGS, INC.

(Exact name of Registrant as specified in its Charter)

Delaware	**20-3179218**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
3 Park Avenue	
New York, New York	**10016**
(Address of principal executive offices)	**(Zip Code)**

(212) 725-6550

(Registrant s telephone number, including area code)

None

(Former name, former address and former fiscal year if changed since last report)

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 x 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 ¨ 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x	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 x

As of July 20, 2009, 62,472,516 shares of common stock (Common Stock) of the Registrant were outstanding.

Table of Contents

DICE HOLDINGS, INC.

TABLE OF CONTENTS

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DICE HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except per share data)

	June 30, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 35,635	$ 55,144
Marketable securities	3,671	6,497
Accounts receivable, net of allowance for doubtful accounts of $1,866 and $1,504	9,275	12,653
Deferred income taxes - current	932	1,346
Prepaid and other current assets	1,453	2,219
Total current assets	**50,966**	**77,859**
Fixed assets, net	5,676	5,938
Acquired intangible assets, net	55,049	59,119
Goodwill	144,352	137,416
Deferred financing costs, net of accumulated amortization of $2,502 and $2,085	2,291	2,708
Other assets	220	129
Total assets	**$ 258,554**	**$ 283,169**
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 8,970	$ 10,306
Deferred revenue	34,853	40,758
Current portion of long-term debt	1,000	1,000
Interest rate hedge liability - current	639	
Income taxes payable	1,520	2,195
Total current liabilities	**46,982**	**54,259**
Long-term debt	49,900	80,500
Deferred income taxes - non-current	12,588	15,998
Interest rate hedge liability - non-current	658	2,568
Other long-term liabilities	7,048	6,338
Total liabilities	**117,176**	**159,663**
Commitments and contingencies (Note 8)		
Stockholders equity		
Convertible preferred stock, $.01 par value, authorized 20,000 shares; issued and outstanding: 0 shares		

Common stock, $.01 par value, authorized 240,000; issued and outstanding: 62,473 and 62,210 shares, respectively	625	622
Additional paid-in capital	230,497	226,432
Accumulated other comprehensive loss	(8,387)	(15,557)
Accumulated deficit	(81,357)	(87,991)
Total stockholders equity	**141,378**	**123,506**
Total liabilities and stockholders equity	**$ 258,554**	**$ 283,169**

See accompanying notes to the condensed consolidated financial statements.

2

DICE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share amounts)

	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Revenues	$ 27,009	$ 40,281	$ 56,578	$ 79,850
Operating expenses:				
Cost of revenues	1,811	2,484	3,641	4,901
Product development	961	1,172	1,756	2,344
Sales and marketing	8,483	15,895	17,919	30,801
General and administrative	5,128	5,363	10,124	10,912
Depreciation	932	958	1,853	1,821
Amortization of intangible assets	4,017	4,237	7,908	8,479
Total operating expenses	21,332	30,109	43,201	59,258
Operating income	5,677	10,172	13,377	20,592
Interest expense	(1,649)	(2,484)	(3,572)	(5,168)
Interest income	53	492	136	974
Gain (loss) from interest rate hedges	369	1,157	757	(1,109)
Income from continuing operations before income taxes	4,450	9,337	10,698	15,289
Income tax expense	1,674	1,786	4,064	3,972
Income from continuing operations	2,776	7,551	6,634	11,317
Discontinued operations:				
Income from discontinued operations				519
Income from discontinued operations, net of tax				519
Net income	$ 2,776	$ 7,551	$ 6,634	$ 11,836
Basic earnings per share:				
From continuing operations	$ 0.04	$ 0.12	$ 0.11	$ 0.18
From discontinued operations				0.01
	$ 0.04	$ 0.12	$ 0.11	$ 0.19
Diluted earnings per share:				
From continuing operations	$ 0.04	$ 0.12	$ 0.10	$ 0.17
From discontinued operations				0.01
	$ 0.04	$ 0.12	$ 0.10	$ 0.18

Weighted average basic shares outstanding	62,229	62,188	62,219	62,181
Weighted average diluted shares outstanding	65,941	65,495	65,834	65,516

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

DICE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	For the six months ended June 30, 2009	2008
Cash flows provided by operating activities:		
Net income	$ 6,634	$ 11,836
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,853	1,821
Amortization of intangible assets	7,908	8,479
Deferred income taxes	(3,198)	189
Gain on sale of joint venture		(611)
Amortization of deferred financing costs	417	416
Share based compensation	3,098	2,725
(Gain) loss from interest rate hedges	(757)	1,109
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	3,747	3,828
Prepaid expenses and other assets	358	(49)
Accounts payable and accrued expenses	(1,899)	1,749
Income taxes payable	(412)	2,437
Deferred revenue	(6,507)	3,074
Payments to reduce interest rate hedge agreements	(514)	
Other, net	187	(373)
Net cash provided by operating activities	10,915	36,630
Cash flows used for investing activities:		
Purchases of fixed assets	(1,470)	(2,150)
Purchases of marketable securities	(1,234)	(26,923)
Maturities and sales of marketable securities	4,000	11,395
Payment for the acquisition of AllHeathcareJobs	(2,690)	
Net cash used for investing activities	(1,394)	(17,678)
Cash flows used for financing activities:		
Payments on long-term debt	(32,600)	(2,700)
Proceeds from long-term debt	2,000	
Payment of costs related to initial public offering		(354)
Proceeds from stock option exercises	3	9
Net cash used for financing activities	(30,597)	(3,045)
Effect of exchange rate changes	1,567	1,240

Net change in cash and cash equivalents for the period	(19,509)	17,147
Cash and cash equivalents, beginning of period	55,144	57,525
Cash and cash equivalents, end of period	$ 35,635	$ 74,672
Non-cash investing and financing activities:		
Issuance of common stock for the acquisition of AllHealthcareJobs	$ 959	

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

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 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, the 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, 2008 that are included in the Company s Annual Report on Form 10-K. Operating results for the six month period ended June 30, 2009 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 and the disclosure of contingent assets and liabilities at the date of the 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 first six months of 2009.

2. NEW ACCOUNTING PRONOUCEMENTS

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, *Business Combinations* (FAS 141R) and *Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*. These statements change the accounting for business combinations and noncontrolling interests including requiring more assets acquired and liabilities assumed to be measured at fair value, requiring liabilities related to contingent consideration to be remeasured at fair value in each subsequent reporting period, requiring the acquirer in preacquisition periods to expense all acquisition-related costs and requiring noncontrolling interests in subsidiaries initially to be measured at fair value and classified as a separate component of equity. Both statements are to be applied prospectively and were adopted by the Company on January 1, 2009. The acquisition of AllHealthcareJobs on June 10, 2009 was accounted under FAS 141R. The acquisition was not deemed significant to the Company s financial results, thus limited disclosures are presented herein.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*. Companies are required to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, and how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. The statement was adopted by the Company on January 1, 2009. The disclosures are presented in Note 7.

In April 2009, the FASB issued Staff Position FAS 107-1 and Accounting Principles Board Opinion 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. The position amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements. The position also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. The position is effective for interim periods ending after June 15, 2009 with early adoption permitted. The Company adopted SFAS 107-1 and APB 28-1. The disclosures are presented in Note 3.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* (FAS 165). This statement provides guidance on management s assessment of subsequent events. Historically, management relied on U.S. auditing literature in AICPA Professional Standard, AU Section 560. FAS 165 did not significantly change practice because its guidance is similar to AU Section 560. This standard was adopted by the Company as of June 30, 2009. The date through which subsequent events have been evaluated is July 23, 2009, the date on which the financial statements were issued.

Table of Contents

3. FAIR VALUE INSTRUMENTS

Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157) defines fair value, establishes a framework for measuring fair value and expands 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, SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Quoted prices for identical instruments in active markets.

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.

SFAS 157 does not impose fair value measurements on items not already accounted for at fair value; rather it applies, with certain exceptions, to other accounting pronouncements that either require or permit fair value measurements.

Money market funds are included in cash and cash equivalents on the Condensed Consolidated Balance Sheets. The money market funds and marketable securities are valued using quoted prices in the market. The interest rate hedge liabilities are valued using observable inputs from a third-party provider. The carrying amounts reported in the consolidated balance sheet for cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses approximate their fair values. The estimated fair value of long-term debt, as of June 30, 2009 and December 31, 2008 was approximately $44 million and $64 million, respectively.

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

	As of June 30, 2009 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	$ 18,248	$	$	$ 18,248
Marketable securities	3,671			3,671
Interest rate hedge liability - current		639		639
Interest rate hedge liability - non-current		658		658

	As of December 31, 2008 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	$ 33,957	$	$	$ 33,957
Marketable securities	6,497			6,497
Interest rate hedge liability - non-current		2,568		2,568

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 and 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.

On June 10, 2009, the Company acquired substantially all of the assets of AllHealthcareJobs.com, a leading online career site dedicated to matching healthcare professionals with available career opportunities. The purchase price consisted of initial consideration of $2.7 million in cash (including working capital adjustments) and the issuance of 205,000 shares of the Company s common stock (with certain restrictions) valued at $959,000. Additional consideration of up to a maximum of $1.0 million in cash is payable upon the achievement of certain operating and financial goals over the two year period ending June 30, 2011. The acquisition resulted in recording intangible assets of $3.1 million and goodwill of $1.4 million.

Table of Contents

The Company determines whether the carrying value of recorded goodwill is impaired on an annual basis or more frequently if indicators of potential impairment exist. The impairment test for goodwill from the 2005 Dice Inc. acquisition is performed annually as of August 31 and the impairment test for goodwill from the 2006 eFinancialCareers acquisition and the 2009 AllHealthcareJobs acquisition is performed annually as of October 31. 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.

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 annual impairment test is performed annually as of August 31. 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.

4. DISCONTINUED OPERATIONS

Dice India Dice India Holdings, Inc. (Dice India), a wholly owned subsidiary of the Company, entered into a joint venture agreement with CyberMedia (India) Limited (CyberMedia) in 2004 to form CyberMedia Dice Careers Limited (CMD), an online technology-focused career website for the posting of technology-related jobs based in India. Dice India owned a majority of CMD. During the fourth quarter of 2007, Dice India decided to exit the joint venture, after assessing the long-term economic viability of the business in light of its operating losses. Dice India sold its interest in the joint venture to an affiliate of CyberMedia on January 28, 2008. Accordingly, the Company now reflects the related assets, liabilities, and results of operations from this segment as discontinued operations for all periods presented. Expenses that are not directly identified to Dice India or are considered corporate overhead have not been allocated to this segment in arriving at results from discontinued operations. There were no financial results for the three months ended June 30, 2008. Summary results of operations for Dice India were as follows for the six months ended June 30, 2008 (in thousands):

Revenues	$ 37
Operating expenses:	
Cost of revenues	14
Sales and marketing	40
General and administrative	75
Total operating expenses	129
Operating loss	(92)
Gain on sale of joint venture	611
Income tax benefit	
Income from discontinued operations	$ 519

Table of Contents

5. MARKETABLE SECURITIES

DHI s marketable securities are stated at fair value. The following tables summarize the Company s marketable securities as of June 30, 2009 and December 31, 2008 (in thousands):

		As of June 30, 2009		
	Maturity	Gross Amortized Cost	Gross Unrealized Gain	Estimated Fair Value
U.S. Government and agencies	Within one year	$ 3,422	$ 35	$ 3,457
U.S. Government and agencies	1 to 5 years	203		203
Corporate debt securities	1 to 5 years	11		11
Total		$ 3,636	$ 35	$ 3,671

		As of December 31, 2008		
	Maturity	Gross Amortized Cost	Gross Unrealized Gain	Estimated Fair Value
U.S. Government and agencies	Within one year	$ 5,028	$ 18	$ 5,046
U.S. Government and agencies	1 to 5 years	1,404	36	1,440
Corporate debt securities	1 to 5 years	11		11
Total		$ 6,443	$ 54	$ 6,497

Table of Contents

6. ACQUIRED INTANGIBLE ASSETS, NET

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

	As of June 30, 2009					
	Cost	Acquisition of AllHealthcare Jobs	Accumulated Amortization	Foreign Currency Translation Adjustment	Acquired Intangible Assets, Net	Weighted Average Amortization Period
Technology	$ 12,420	$ 138	$ (11,724)	$ (59)	$ 775	3.7 years
Trademarks and brand names- Dice	39,000				39,000	Indefinite
Trademarks and brand names- Other	6,400	870	(3,590)	(404)	3,276	4.6 years
Customer lists	36,361	582	(26,702)	(588)	9,653	4.6 years
Candidate database	17,440	1,542	(16,607)	(46)	2,329	3.5 years
Order Backlog		17	(1)		16	.5 years
Acquired intangible assets, net	$ 111,621	$ 3,149	$ (58,624)	$ (1,097)	$ 55,049	

	As of December 31, 2008				
	Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Acquired Intangible Assets, Net	Weighted Average Amortization Period
Technology	$ 12,420	$ (10,168)	$ (126)	$ 2,126	3.75 years
Trademarks and brand names- Dice	39,000			39,000	Indefinite
Trademarks and brand names- Other	6,400	(3,086)	(644)	2,670	5 years
Customer lists	36,361	(23,035)	(953)	12,373	4.5 years
Candidate database	17,440	(14,427)	(63)	2,950	3.75 years
Acquired intangible assets, net	$ 111,621	$ (50,716)	$ (1,786)	$ 59,119	

Based on the carrying value of the acquired finite lived intangible assets recorded as of June 30, 2009, and assuming no subsequent impairment of the underlying assets, the estimated future amortization expense is as follows (in thousands):

July 1, 2009 through December 31, 2009	$ 6,380
2010	7,686
2011	1,642
2012	274
2013	67

7. INDEBTEDNESS

In March 2007, the Company entered into an Amended and Restated Financing Agreement (the Amended and Restated Credit Facility) which provides for a revolving credit facility of $75.0 million and a term loan facility of $125.0 million, maturing in March 2012. Borrowings under the facility bear interest, at the Company s option, at the LIBOR rate plus 3.25% or reference rate plus 1.75%. Quarterly payments of $250,000 of principal are required on the term loan facility. Payments of principal on the term loan facility result in permanent reductions to that facility. The borrowing capacity of the revolving credit facility is reduced by reserves against our interest rate swaps, which are determined by the swap counterparty. The Amended and Restated Credit Facility contains certain financial and other covenants. The Company was in compliance with all such covenants as of June 30, 2009.

Payments of principal of $30.6 million on the term loan were made during the six month period ended June 30, 2009.

Table of Contents

The amounts borrowed and terms of the financing agreement as of June 30, 2009 and December 31, 2008 are as follows (dollars in thousands):

	June 30, 2009	December 31, 2008
Maximum available under revolving credit facility	$ 73,000	$ 72,250
Maximum available under term loan facility	$ 50,900	$ 81,500
Amounts borrowed:		
LIBOR rate loans	$ 50,600	$ 81,200
Reference rate loans	300	300
Total borrowed	$ 50,900	$ 81,500
Interest rates:		
LIBOR option:		
Interest margin	3.25%	3.25%
Minimum LIBOR rate	3.00%	3.00%
Actual interest rates	6.25%	6.25% to 7.1325%
Reference rate option:		
Interest margin	1.75%	1.75%
Minimum reference rate	6.00%	6.00%
Actual interest rate	7.75%	7.75%

Future maturities as of June 30, 2009 are as follows (in thousands):

July 1, 2009 through December 31, 2009	$ 500
2010	1,000
2011	1,000
2012	48,400
Total minimum payments	$ 50,900

In December 2007, the Company entered into an interest rate swap agreement which fixed the interest rate on $60.0 million of LIBOR-based borrowings at 7.39% for the two-year period from January 2, 2008 to January 2, 2010. In February 2008, the Company entered into an interest rate swap agreement which fixed the interest rate on $20.0 million of LIBOR-based borrowings at 6.37% for the three-year period from February 11, 2008 to February 11, 2011. The swaps are used by the Company for the purpose of interest rate risk management. The fair values of the swap agreements are reflected as Interest rate hedge liabilities on the Condensed Consolidated Balance Sheets. During the first quarter of 2008, the Company elected hedge accounting under Statement of Financial Accounting Standards No. 133 (SFAS 133), *Accounting for Derivates, as amended*. Subsequent to that election, the interest rate swap agreements became ineffective primarily due to the 3% minimum LIBOR rate in the Amended and Restated Credit Facility as the swap agreements do not contain a rate floor. The Company discontinued applying hedge accounting under SFAS 133 during 2008 because the swaps were ineffective and not expected to be effective in the future. The change in the fair value of the swap agreements is included in Gain (loss) from interest rate hedges on the Condensed Consolidated Statements of Operations. A current liability of $639,000 and a non-current liability of $658,000 are reflected in the Condensed Consolidated Balance Sheets as of June 30, 2009.

During the three months ended June 30, 2009, the interest rate swap agreement on $60.0 million of LIBOR-based borrowings was reduced to $35.0 million of LIBOR-based borrowings. Fees of $514,000 were paid to reduce the notional amount of the hedge agreement.

Table of Contents

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 June 30, 2009 are as follows (in thousands):

July 1, 2009 through December 31, 2009	$ 502
2010	1,144
2011	1,163
2012	631
2013	384
2014 and thereafter	2,487
Total minimum payments	$ 6,311

During March 2009, the Company entered into a ten year lease for office space in New York which is scheduled to commence in September 2009 and increased future lease commitments by $4.0 million. Rent expense was $345,000 and $677,000 for the three and six month periods ended June 30, 2009, respectively, and $297,000 and $605,000 for the three and six month periods ended June 30, 2008.

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 adverse effect on the Company s financial condition, operations or liquidity.

Table of Contents

9. COMPREHENSIVE INCOME

The components of comprehensive income are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income	$ 2,776	$ 7,551	$ 6,634	$ 11,836
Foreign currency translation adjustment, net of tax of $0, $(262), $0 and $0	9,371	934	7,180	1,546
Fair value adjustment on interest rate hedges, net of tax of $0, $204, $0 and $246		271		339
Unrealized gains on marketable securities, net of tax of $0, $(17), $(7) and $(17)	2	(27)	(10)	(28)
Total other comprehensive income	9,373	1,178	7,170	1,857
Comprehensive income	$ 12,149	$ 8,729	$ 13,804	$ 13,693

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

	June 30, 2009	December 31, 2008
Foreign currency translation adjustment, net of tax of $1,336 and $1,336	$ (8,411)	$ (15,591)
Unrealized gains on marketable securities, net of tax of $11 and $20	24	34
Total accumulated other comprehensive income, net	$ (8,387)	$ (15,557)

10. STOCK BASED COMPENSATION

Restricted Stock Stock totaling 16,000 and 45,000 shares was granted to non-employee members of the Company s Board in April 2008 and May 2009, respectively. These shares are compensation for services as Board members, and the shares cannot be sold for one year from the grant date. The closing price of the Company s stock on the date of grant was used to value the grants. There was no cash flow impact resulting from the grants. During the three and six months ended June 30, 2009, compensation cost of $28,000 and $61,000, respectively, was recorded related to these grants. At June 30, 2009, there was $163,000 of compensation cost which will be recognized over the next year.

Stock Option Plans The Company has two plans under which it may grant stock options to certain employees, directors and consultants of the Company and its subsidiaries. Compensation expense is recorded in accordance with SFAS 123 (Revised 2004), *Share-Based Payment*, for stock options awarded to employees in return for employee service. 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 employee 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 $3.1 million during the three and six month periods ended June 30, 2009, respectively, and $1.4 million and $2.7 million during the three and six month periods ended June 30, 2008, respectively. At June 30, 2009, there was $6.8 million of unrecognized compensation expense related to unvested stock options, which is expected to be recognized over a weighted-average period of approximately 1.6 years.

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 was not publicly traded during all of the periods when options were granted, the average historical 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. The fair value of the common stock for the option grants prior to the IPO was determined based on a contemporaneous internal valuation prepared by management, which had the appropriate levels of competency.

Table of Contents

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
The weighted average fair value of options granted	$	$ 2.57	$ 1.54	$ 2.04
Dividend yield		0.00%	0.00%	0.00%
Weighted average risk free interest rate		2.18%	1.38%	2.13%
Weighted average expected volatility		50.36%	66.00%	47.46%
Expected life (in years)		4.0	4.6	4.0

During the six months ended June 30, 2009 the Company granted the following stock options with exercise prices as follows:

Grant Date	Number of stock options issued	Fair value of common stock	Exercise price	Intrinsic value
February 9, 2009	1,707,900	$ 2.88	$ 2.88	$

A summary of the status of options granted as of June 30, 2009 and 2008, and the changes during the three and six month periods then ended is presented below:

	Three Months Ended June 30, 2009		Three Months Ended June 30, 2008	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding at beginning of the period	11,328,722	$ 2.78	9,597,471	$ 2.72
Granted		$	112,500	$ 8.07
Exercised	(12,663)	$ 0.20	(3,393)	$ 1.89
Forfeited	(576)	$ 6.89	(37,505)	$ 5.63
Options outstanding at June 30	11,315,483	$ 2.79	9,669,073	$ 2.77

	Six Months Ended June 30, 2009		Six Months Ended June 30, 2008	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding at beginning of the period	9,653,074	$ 2.77	8,038,280	$ 1.95
Granted	1,707,900	$ 2.88	1,687,250	$ 6.75
Exercised	(12,663)	$ 0.20	(4,113)	$ 2.30
Forfeited	(32,828)	$ 4.88	(52,344)	$ 5.58
Options outstanding at June 30	11,315,483	$ 2.79	9,669,073	$ 2.77
Exercisable at June 30	7,286,963	$ 1.96	4,799,737	$ 1.69

Table of Contents

The following table summarizes information about options outstanding as of June 30, 2009:

Exercise Price	Options Outstanding Number Outstanding	Options Outstanding Weighted-Average Remaining Contractual Life (in years)	Options Exercisable Number Exercisable
$0.20 - $0.99	3,867,214	6.2	3,475,499
$1.00 - $2.99	3,975,419	6.4	2,262,332
$4.00 - $5.99	853,169	7.4	525,824
$6.00 - $8.99	2,579,881	6.3	1,008,383
$10.00 - $10.99	39,800	8.4	14,925
	11,315,483		7,286,963

11. SEGMENT INFORMATION

The Company aggregates its operating segments into two reportable segments: DCS Online and eFinancialCareers. Management has organized its reportable segments based upon similar geographic locations and similar economic characteristics. Both DCS Online and eFinancialCareers generate revenue from sales of recruitment packages. Aggregation is based on similarity of operating segments as to economic characteristics, products, types or classes of customers and the methods of distribution. In addition to these two reportable segments, the Company has other businesses and activities that individually are not more than 10% of consolidated revenues, net income, or total assets. These include Targeted Job Fairs, JobsintheMoney.com, AllHealthcareJobs (beginning on June 10, 2009), and eFinancialCareers North American operations and are reported in the Other category. The Company s foreign operations are comprised of eFinancialCareers, whose business is principally in Europe, Middle East and Asia Pacific. The following table shows the segment information for the three and six month periods ended June 30, 2009 and 2008 (in thousands):

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenues:				
DCS Online	$ 20,098	$ 27,421	$ 42,093	$ 54,496
eFC	5,473	9,920	11,395	19,701
Other	1,438	2,940	3,090	5,653
Total revenues	$ 27,009	$ 40,281	$ 56,578	$ 79,850
Depreciation:				
DCS Online	$ 836	$ 855	$ 1,663	$ 1,617
eFC	56	65	109	129
Other	40	38	81	75
Total depreciation	$ 932	$ 958	$ 1,853	$ 1,821
Amortization of intangible assets:				
DCS Online	$ 2,777	$ 2,777	$ 5,555	$ 5,555
eFC	1,007	1,282	1,942	2,569
Other	233	178	411	355
Total amortization of intangible assets	$ 4,017	$ 4,237	$ 7,908	$ 8,479

Table of Contents

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Operating income:				
DCS Online	$ 4,547	$ 6,518	$ 10,522	$ 13,787
eFC	935	3,643	2,511	6,798
Other	195	11	344	7
Operating income	5,677	10,172	13,377	20,592
Interest expense	(1,649)	(2,484)	(3,572)	(5,168)
Interest income	53	492	136	974
Gain (loss) from interest rate hedges	369	1,157	757	(1,109)
Income from continuing operations before income taxes	$ 4,450	$ 9,337	$ 10,698	$ 15,289
Capital expenditures:				
DCS Online	$ 616	$ 1,295	$ 1,449	$ 1,974
eFC	8	92	18	151
Other		7	3	25
Total capital expenditures	$ 624	$ 1,394	$ 1,470	$ 2,150

The following table shows the segment information as June 30, 2009 and December 31, 2008 (in thousands):

	June 30, 2009	December 31, 2008
Total assets:		
DCS Online	$ 155,362	$ 189,488
eFinancial Careers	87,513	81,799
Other	15,679	11,882
Total assets	$ 258,554	$ 283,169

The following table shows the change in the carrying amount of goodwill by reportable segment as of December 31, 2008 and the changes in goodwill for the six month period ended June 30, 2009 (in thousands):

	DCS Online	eFC	Other	Total
Balance, December 31, 2008	$ 84,778	$ 43,580	$ 9,058	$ 137,416
Acquisition of AllHealthcareJobs			1,445	1,445
Foreign currency translation adjustment		5,491		5,491
Balance, June 30, 2009	$ 84,778	$ 49,071	$ 10,503	$ 144,352

Table of Contents

12. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed based on the weighted average number of shares of common stock outstanding. Diluted EPS is computed based on the weighted average number of shares of common stock outstanding plus common stock equivalents assuming exercise of stock options and conversion of outstanding convertible securities, where dilutive. The following is a calculation of basic and diluted earnings per share and weighted average shares outstanding for continuing operations and discontinued operations (in thousands except per share amounts):

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Income attributable to common stockholders from continuing operations - basic and diluted	$ 2,776	$ 7,551	$ 6,634	$ 11,317
Income attributable to common stockholders from discontinued operations - basic and diluted	$	$	$	$ 519
Weighted average shares outstanding - basic	62,229	62,188	62,219	62,181
Add shares issuable upon exercise of stock options	3,712	3,307	3,615	3,335
Weighted average shares outstanding - diluted	65,941	65,495	65,834	65,516
Basic earnings per share:				
From continuing operations	$ 0.04	$ 0.12	$ 0.11	$ 0.18
From discontinued operations				0.01
	$ 0.04	$ 0.12	$ 0.11	$ 0.19
Diluted earnings per share:				
From continuing operations	$ 0.04	$ 0.12	$ 0.10	$ 0.17
From discontinued operations				0.01