

MONSTER WORLDWIDE, INC.

Form 10-Q

November 09, 2012

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**FOR THE TRANSITION PERIOD FROM                      to**

**COMMISSION FILE NUMBER 001-34209**

**MONSTER WORLDWIDE, INC.**

**(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)**

Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

<p><b>DELAWARE</b> (STATE OR OTHER JURISDICTION OF  INCORPORATION OR ORGANIZATION)</p> <p><b>622 Third Avenue, New York, New York</b> (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)</p> <p style="text-align: right;"><b>(212) 351-7000</b></p>	<p><b>13-3906555</b> (I.R.S. EMPLOYER  IDENTIFICATION NO.)</p> <p><b>10017</b> (ZIP CODE)</p> <p><b>(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)</b></p>
--	--

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

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

<b>Class</b>	<b>Outstanding as of</b>
	<b>November 2, 2012</b>
Common Stock	117,102,607

**Table of Contents**

**MONSTER WORLDWIDE, INC.**

**TABLE OF CONTENTS**

	<b>Page No.</b>
<b><u>PART I-FINANCIAL INFORMATION</u></b>	
<b><u>Item 1. Financial Statements:</u></b>	<b>3</b>
<u>Consolidated Statements of Operations and Comprehensive (Loss) Income</u>	<b>3</b>
<u>Consolidated Balance Sheets</u>	<b>4</b>
<u>Consolidated Statements of Cash Flows</u>	<b>5</b>
<u>Notes to Consolidated Financial Statements</u>	<b>6</b>
<u>Report of Independent Registered Public Accounting Firm</u>	<b>20</b>
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<b>21</b>
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	<b>41</b>
<b><u>Item 4. Controls and Procedures</u></b>	<b>42</b>
<b><u>PART II-OTHER INFORMATION</u></b>	
<b><u>Item 1. Legal Proceedings</u></b>	<b>43</b>
<b><u>Item 1A. Risk Factors</u></b>	<b>43</b>
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	<b>50</b>
<b><u>Item 3. Defaults Upon Senior Securities</u></b>	<b>50</b>
<b><u>Item 4. Mine Safety Disclosure</u></b>	<b>50</b>
<b><u>Item 5. Other Information</u></b>	<b>50</b>
<b><u>Item 6. Exhibits</u></b>	<b>51</b>
<b><u>Signatures</u></b>	<b>52</b>

**Table of Contents****PART I-FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****MONSTER WORLDWIDE, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****AND COMPREHENSIVE (LOSS) INCOME****(in thousands, except per share amounts)****(unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenue</b>	<b>\$ 221,710</b>	<b>\$ 248,580</b>	<b>\$ 681,971</b>	<b>\$ 761,241</b>
Salaries and related	100,837	121,602	317,117	379,833
Office and general	61,289	52,912	173,222	174,652
Marketing and promotion	44,712	42,911	148,517	150,582
Restructuring and other special charges	244	2,004	25,678	2,004
Recovery of restitution award from former executive			(5,350)	
<b>Total operating expenses</b>	<b>207,082</b>	<b>219,429</b>	<b>659,184</b>	<b>707,071</b>
<b>Operating income</b>	<b>14,628</b>	<b>29,151</b>	<b>22,787</b>	<b>54,170</b>
Interest and other, net	(1,530)	(1,422)	(4,172)	(2,427)
Income before income taxes and loss in equity interests	13,098	27,729	18,615	51,743
(Benefit from) provision for income taxes	(26,162)	8,813	(39,122)	16,132
Loss in equity interests, net	(271)	(368)	(726)	(996)
Income from continuing operations	38,989	18,548	57,011	34,615
(Loss) income from discontinued operations, net of tax	(233,228)	13,279	(242,706)	8,276
<b>Net (loss) income</b>	<b>\$ (194,239)</b>	<b>\$ 31,827</b>	<b>\$ (185,695)</b>	<b>\$ 42,891</b>
<b>Basic (loss) earnings per share:</b>				
Income from continuing operations	\$ 0.35	\$ 0.15	\$ 0.50	\$ 0.28
(Loss) income from discontinued operations, net of tax	(2.10)	0.11	(2.14)	0.07
<b>Basic (loss) earnings per share</b>	<b>\$ (1.75)</b>	<b>\$ 0.26</b>	<b>\$ (1.64)</b>	<b>\$ 0.35</b>
<b>Diluted (loss) earnings per share:</b>				
Income from continuing operations	\$ 0.35	0.15	\$ 0.50	0.27
(Loss) income from discontinued operations, net of tax	(2.10)	0.11	(2.14)	0.07
<b>Diluted (loss) earnings per share</b>	<b>\$ (1.75)</b>	<b>\$ 0.26</b>	<b>\$ (1.64)</b>	<b>\$ 0.34</b>

Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

**Weighted average shares outstanding:**

Basic	111,239	122,991	113,460	122,212
Diluted	112,212	123,972	114,622	124,338

<b>Net (loss) income</b>	<b>\$ (194,239)</b>	<b>\$ 31,827</b>	<b>\$ (185,695)</b>	<b>\$ 42,891</b>
--------------------------	---------------------	------------------	---------------------	------------------

**Other comprehensive (loss) income:**

Foreign currency translation adjustments, net	\$ 30,278	\$ (31,682)	\$ (12,541)	\$ (10,806)
---	-----------	-------------	-------------	-------------

<b>Comprehensive (loss) income</b>	<b>\$ (163,961)</b>	<b>\$ 145</b>	<b>\$ (198,236)</b>	<b>\$ 32,085</b>
------------------------------------	---------------------	---------------	---------------------	------------------

*See accompanying notes.*

**Table of Contents****MONSTER WORLDWIDE, INC.****CONSOLIDATED BALANCE SHEETS****(in thousands)**

	September 30, 2012 (unaudited)	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 175,103	\$ 250,317
Accounts receivable, net of allowance for doubtful accounts of \$4,372 and \$5,240	315,058	343,546
Prepaid and other	72,226	82,069
Assets of business held for sale	80,303	
<b>Total current assets</b>	<b>642,690</b>	<b>675,932</b>
Property and equipment, net	150,541	156,282
Intangibles, net	35,104	51,961
Goodwill	878,689	1,132,161
Investment in unconsolidated affiliates	1,159	1,183
Other assets	30,412	40,479
<b>Total assets</b>	<b>\$ 1,738,595</b>	<b>\$ 2,057,998</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 38,377	\$ 27,411
Accrued expenses and other current liabilities	130,759	169,576
Deferred revenue	332,723	380,310
Current portion of long-term debt and borrowings on revolving credit facility	14,191	188,836
Income taxes payable	1,564	16,830
Liabilities of business held for sale	31,881	
<b>Total current liabilities</b>	<b>549,495</b>	<b>782,963</b>
Long-term income taxes payable	61,612	94,750
Deferred income taxes	3,063	4,665
Long-term debt, less current portion	181,750	
Other long-term liabilities	7,834	11,493
<b>Total liabilities</b>	<b>803,754</b>	<b>893,871</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Preferred stock, \$.001 par value, authorized 800 shares; issued and outstanding: None		
Common stock, \$.001 par value, authorized 1,500,000 shares; issued: 139,789 and 137,855 shares, respectively; outstanding: 111,082 and 117,628 shares, respectively	140	138
Class B common stock, \$.001 par value, authorized 39,000 shares; issued and outstanding: None		
Additional paid-in capital	1,349,781	1,405,915
Accumulated deficit	(491,364)	(305,669)
Accumulated other comprehensive income	76,284	63,743

Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

<b>Total stockholders' equity</b>	934,841	1,164,127
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,738,595</b>	<b>\$ 2,057,998</b>

*See accompanying notes.*

**Table of Contents****MONSTER WORLDWIDE, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows provided by operating activities:</b>		
Net (loss) income	\$ (185,695)	\$ 42,891
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	52,741	56,298
Provision for doubtful accounts	2,064	2,452
Non-cash compensation	21,582	34,431
Deferred income taxes	(294)	(6,562)
Non cash restructuring write-offs	6,417	
Loss in equity interests, net	726	996
Gains on auction rate securities		(1,732)
Tax benefit from change in uncertain tax positions	(43,193)	
Impairment of goodwill	216,221	
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	13,341	47,696
Prepaid and other	11,109	(2,361)
Deferred revenue	(28,277)	(24,931)
Accounts payable, accrued liabilities and other	(30,904)	(24,163)
<b>Total adjustments</b>	<b>221,533</b>	<b>82,124</b>
<b>Net cash provided by operating activities</b>	<b>35,838</b>	<b>125,015</b>
<b>Cash flows used for investing activities:</b>		
Capital expenditures	(46,902)	(45,433)
Cash funded to equity investee	(2,077)	(2,559)
Sales and maturities of marketable securities		1,732
Dividends received from unconsolidated investee	728	443
<b>Net cash used for investing activities</b>	<b>(48,251)</b>	<b>(45,817)</b>
<b>Cash flows (used for) provided by financing activities:</b>		
Proceeds from borrowings on credit facilities	221,355	107,725
Payments on borrowings on credit facilities	(271,802)	(9,500)
Proceeds from borrowings on term note	100,000	
Payments on borrowings on term note	(42,500)	
Repurchase of common stock	(65,611)	
Tax withholdings related to net share settlements of restricted stock awards and units	(8,030)	(16,876)
Proceeds from the exercise of employee stock options	23	23
<b>Net cash (used for) provided by financing activities</b>	<b>(66,565)</b>	<b>81,372</b>
Effects of exchange rates on cash	3,764	(1,938)



Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

Net (decrease) increase in cash and cash equivalents	(75,214)	158,632
Cash and cash equivalents, beginning of period	250,317	163,169
Cash and cash equivalents, end of period	\$ 175,103	\$ 321,801

**Supplemental disclosures of cash flow information:**

Cash paid for income taxes	\$ 11,732	\$ 17,682
Cash paid for interest	\$ 9,191	\$ 6,342

*See accompanying notes.*

**Table of Contents**

**MONSTER WORLDWIDE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(dollars in thousands, except per share amounts)**

**(unaudited)**

**1. Description of Business and Basis of Presentation**

***Description of Business***

Monster Worldwide, Inc. (together with its consolidated subsidiaries, the Company or Monster) has operations that consist of three reportable segments: Careers-North America, Careers-International and Internet Advertising & Fees. Revenue in the Company's Careers segments are primarily earned from the placement of job advertisements on the websites within the Monster network, access to the Company's resume databases, recruitment media services and other career-related services. Our Internet Advertising & Fees segment operates a network of websites that connect companies to highly targeted audiences at critical stages in their lives which we primarily monetize through the display of advertisements on the Monster network of websites, click-throughs on text based links and leads provided to advertisers. The Company's Careers segments provide online services to customers in a variety of industries throughout North America, Europe, South America and the Asia-Pacific region, while our Internet Advertising & Fees segment delivers online services primarily in North America.

***Basis of Presentation***

The consolidated interim financial statements included herein are unaudited and have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. The consolidated interim financial statements include the accounts of the Company and all of its wholly-owned and majority-owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior period financial statements to conform to the current year presentation related to our business held for sale that is treated as a discontinued operation (see Note 11, *Discontinued Operations*).

These statements reflect all normal recurring adjustments that, in the opinion of management, are necessary for fair presentation of the information contained herein. These consolidated interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The Company adheres to the same accounting policies in preparing interim financial statements. As permitted under U.S. GAAP, interim accounting for certain expenses, including income taxes, are based on full year assumptions. Such amounts are expensed in full in the year incurred. For interim financial reporting purposes, income taxes are recorded based upon estimated annual income tax rates.

Certain reclassifications of prior year amounts have been made for consistent presentation.

**2. Recently Issued Accounting Pronouncements**

New accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standards setting bodies that we adopt according to the various timetables the FASB specifies. The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

**3. Earnings Per Share**

Basic earnings per share is calculated using the Company's weighted-average outstanding common shares. When the effects are dilutive, diluted earnings per share is calculated using the weighted-average outstanding common shares, participating securities and the dilutive effect of all other stock-based compensation awards as determined under the treasury stock method. Certain stock options and stock issuable under employee compensation plans were excluded from the computation of earnings per share due to their anti-dilutive effect.



**Table of Contents**

A reconciliation of shares used in calculating basic and diluted earnings per share is as follows:

(thousands of shares)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Basic weighted average shares outstanding	111,239	122,991	113,460	122,212
Effect of common stock equivalents-stock options and non-vested stock under employee compensation plans	973	981	1,162	2,126
Diluted weighted average shares outstanding	112,212	123,972	114,622	124,338
Weighted average anti-dilutive common stock equivalents	4,486	6,706	5,234	4,514

We compute earnings per share on a diluted basis using the diluted weighted average shares outstanding as the denominator except in periods where losses are presented because the effects of common stock equivalents are anti-dilutive.

On October 25, 2011, the Board of Directors of the Company authorized a share repurchase program of up to \$250 million. Under the share repurchase program, shares of common stock will be purchased on the open market or through privately negotiated transactions from time-to-time through April 2013. The timing and amount of purchases will be based on market conditions, corporate and legal requirements and other factors. The share repurchase program does not obligate the Company to acquire any specific number of shares in any period, and may be modified, suspended, extended or discontinued at any time without prior notice. From the date of the inception of the repurchase program through September 30, 2012, the Company repurchased 13,986,349 shares for a total repurchase price of \$107,304 at an average price of \$7.67 per share.

#### 4. Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period, which is generally the vesting period, net of estimated forfeitures.

The Company awards non-vested stock to employees, directors and executive officers in the form of Restricted Stock Awards ( RSAs ) and Restricted Stock Units ( RSUs ), market-based RSAs and RSUs, stock options and performance-based RSAs and RSUs. The Compensation Committee of the Company's Board of Directors approves stock-based compensation awards for all employees and executive officers of the Company. The Corporate Governance and Nominating Committee of the Company's Board of Directors approves stock-based compensation awards for all non-employee directors of the Company. The Company uses the fair-market value of the Company's common stock on the date the award is approved to measure fair value for service-based awards, a Monte Carlo simulation model to determine both the fair value and requisite service period of market-based awards and the Black-Scholes option-pricing model to determine the fair value of stock option awards. The Company presents as a financing activity in the consolidated statement of cash flows the benefits of tax deductions in excess of the tax-effected compensation of the related stock-based awards for the options exercised and RSAs and RSUs vested. In accordance with Accounting Standards Codification ( ASC ) 718, *Compensation-Stock Compensation*, the Company's forfeiture rate as of September 30, 2012 includes the impact of the cost reduction initiatives the Company announced on November 8, 2012 (see Note 17, *Subsequent Events*).

**Table of Contents**

The Company recognized pre-tax compensation expense recorded in salaries and related in the consolidated statements of operations and comprehensive income (loss) related to stock-based compensation as follows (the following table excludes stock-based compensation attributable to the business held for sale):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Non-vested stock, included in salaries and related	\$ 5,711	\$ 8,693	\$ 21,223	\$ 33,462
Stock options, included in salaries and related		95	51	343
<b>Total</b>	<b>\$ 5,711</b>	<b>\$ 8,788</b>	<b>\$ 21,274</b>	<b>\$ 33,805</b>

During the nine months ended September 30, 2012 and 2011, the Company capitalized \$1,202 and \$1,704, respectively, of stock-based compensation associated with internally developed software for internal use and enhancements to our website.

During the first nine months of 2012, the Company granted an aggregate of 3,146,515 RSAs and 1,222,026 RSUs to approximately 242 employees, executive officers and directors of the Company. The RSAs and RSUs vest in various increments on the anniversaries of the individual grant dates, through September 18, 2016, subject to the recipient's continued employment or service through each applicable vesting date. The fair-market value of RSAs and RSUs vested during the nine months ended September 30, 2012 is \$23,373.

The Company's non-vested stock activity for the nine months ended September 30, 2012 is as follows:

<b>(thousands of shares)</b>	<b>Shares</b>	<b>Weighted Average Fair Value at Grant Date</b>
Non-vested at January 1, 2012	7,432	\$ 13.85
Granted	4,369	6.89
Forfeited	(692)	13.65
Vested	(3,000)	14.00
<b>Non-vested at September 30, 2012</b>	<b>8,109</b>	<b>\$ 10.06</b>

As of September 30, 2012, the unrecognized compensation expense related to non-vested stock was \$63,653, which is being amortized over the requisite service period on a straight-line basis. The remaining weighted average term over which the unamortized compensation expense will be recognized is 1.6 years.

The Company's stock option activity for the nine months ended September 30, 2012 is as follows:

<b>(thousands of shares)</b>	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Contractual Term (in years)</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at January 1, 2012	1,560	\$ 24.10		
Granted				
Forfeited	(522)	14.63		
Exercised	(3)	9.11		
<b>Outstanding at September 30, 2012</b>	<b>1,035</b>	<b>\$ 29.01</b>	<b>2.22</b>	<b>\$</b>

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

Options exercisable at September 30, 2012	1,035	\$ 29.01	2.22	\$
---	-------	----------	------	----

Aggregate intrinsic value is calculated as the difference between the closing market price of the Company's common stock as of September 30, 2012 and the exercise price of the underlying options. During the nine months ended September 30, 2012 and 2011, the aggregate intrinsic value of options exercised was \$0 and \$4, respectively. As of March 31, 2012, all stock options granted have been fully expensed.

**Table of Contents****5. Business Combinations*****Purchase Escrow***

On October 8, 2008, the Company's Careers-International reporting segment completed the acquisition of the remaining 55.6% ownership interest in ChinaHR.com Holdings Ltd. (together with its subsidiaries, "ChinaHR") not already owned by the Company. Consideration for the acquisition was approximately \$167 million in cash, net of cash acquired. A portion of the purchase price was placed into escrow to secure the sellers' obligation to indemnify the Company for any breaches of the representations and warranties made by the sellers. During the three months ended September 30, 2011, the Company received \$17,400 in cash, net of professional fees reimbursed to the Company, relating to the release of the ChinaHR escrowed funds, which is recorded in the consolidated statements of operations for the three and nine months ended September 30, 2011 as a component of (loss) income from discontinued operations, net of tax.

**6. Fair Value Measurement**

The Company values its assets and liabilities using the methods of fair value as described in ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels of fair value hierarchy are described below:

*Level 1*-Quoted prices in active markets for identical assets or liabilities.

*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-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3*-Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and considers counter-party credit risk in its assessment of fair value. Observable or market inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions based on the best information available. There have been no transfers of assets or liabilities between the fair value measurement classifications for the three months ended September 30, 2012. The Company has certain assets and liabilities that are required to be recorded at fair value on a recurring basis in accordance with U.S. GAAP.

The following table summarizes those assets and liabilities measured at fair value on a recurring basis as of September 30, 2012:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Bank time deposits	\$	\$ 64,452	\$	\$ 64,452
U.S. and foreign government obligations	45,122	21,077		66,199
Bankers' acceptances		8,865		8,865
Foreign exchange contracts		14		14
Total Assets	\$ 45,122	\$ 94,408	\$	\$ 139,530
<b>Liabilities:</b>				
Foreign exchange contracts	\$	\$ 531	\$	\$ 531
Lease exit liabilities			15,427	15,427
Total Liabilities	\$	\$ 531	\$ 15,427	\$ 15,958





**Table of Contents**

The following table summarizes those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Bank time deposits	\$	\$ 114,839	\$	\$ 114,839
Commercial paper		75,066		75,066
Bankers acceptance		8,630		8,630
Government bond-foreign		7,143		7,143
Foreign exchange contracts		215		215
<b>Total Assets</b>	<b>\$</b>	<b>\$ 205,893</b>	<b>\$</b>	<b>\$ 205,893</b>
<b>Liabilities:</b>				
Lease exit liabilities	\$	\$	\$ 14,938	\$ 14,938
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$ 14,938</b>	<b>\$ 14,938</b>

We recognize a liability for costs to terminate an operating lease obligation before the end of its term when we no longer derive economic benefit from the lease. The lease exit liabilities within the Level 3 tier relate to vacated facilities associated with previously discontinued operations and restructuring activities of the Company and are recorded in accrued expenses and other current liabilities in the consolidated balance sheet. The liability is recognized and measured based on a discounted cash flow model when the cease use date has occurred. The fair value of the liability is determined based on the remaining lease rentals due, reduced by estimated sublease rental income that could be reasonably obtained for the property. The Company reviews the assumptions within the discounted cash flow model and determines whether any changes to the previously recorded amounts require a change in estimate. During the three months ended September 30, 2012, the Company determined that there were no material changes to the underlying assumptions within the discounted cash flow model.

The changes in the fair value of the Level 3 liabilities are as follows:

	<b>Lease Exit Liability</b>	
	Nine Months Ended September 30,	
	2012	2011
Balance, Beginning of Period	\$ 14,938	\$ 13,913
Expense	4,768	3,540
Cash Payments	(4,279)	(2,625)
<b>Balance, End of Period</b>	<b>\$ 15,427</b>	<b>\$ 14,828</b>

The carrying value for cash and cash equivalents, accounts receivable, accounts payable, certain accrued expenses and other current liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments. The Company's debt relates to borrowings under its revolving credit facilities and term loan (see Note 13, *Financing Agreements*), which approximates fair value due to the debt bearing fluctuating market interest rates.

**7. Investments*****Equity Investments***

The Company accounts for investments through which a non-controlling interest is held using the equity method of accounting, recording its owned percentage of the investment's net results of operations in loss in equity interests, net, in the Company's consolidated statements of operations and comprehensive income (loss). Such losses reduce the carrying value of the Company's investment and gains increase the carrying value of the Company's investment. Dividends paid by the equity investee reduce the carrying amount of the Company's investment.

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

The Company has a 25% equity investment in a company located in Finland related to a business combination completed in 2001. The Company received a dividend of \$728 in the second quarter of 2012 and \$443 in the first quarter 2011 from this investment. The carrying value of this investment was \$441 and \$688 as of September 30, 2012 and December 31, 2011, respectively, and was recorded on the consolidated balance sheet as a component of investment in unconsolidated affiliates.

## Table of Contents

In the fourth quarter of 2008, the Company acquired a 50% equity interest in a company located in Australia. In the nine months ended September 30, 2012 and 2011, the Company expended \$2,077 and \$2,559, respectively, for additional working capital requirements relating to this investment. The carrying value of this investment was \$718 and \$495 as of September 30, 2012 and December 31, 2011, respectively, and was recorded on the consolidated balance sheet as a component of investment in unconsolidated affiliates.

Income (loss) in equity interests, net, are based upon unaudited financial information and are as follows (by equity investment):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Australia	\$ (379)	\$ (513)	\$ (1,207)	\$ (1,542)
Finland	108	145	481	546
Loss in equity interests, net	\$ (271)	\$ (368)	\$ (726)	\$ (996)

## 8. Restructuring and Other Special Charges

### 2011 Restructuring

Beginning in the third quarter of 2011, the Company made the strategic decision to no longer engage in arbitrage lead generation activities within the Internet Advertising & Fees segment due to the diminishing profit opportunity and the promulgation of new regulations applicable to the Company's customers in the for-profit education business. The Company also made the decision to cease operations in one country within the Careers-International segment. As a result of these strategic decisions, the Company reduced its workforce, closed certain office facilities and impaired certain assets. During the three months ended March 31, 2012, the Company recorded a reduction to restructuring expense related to a change in estimated sublease income.

The following table displays a roll forward of the 2011 restructuring and other special charges for the period from December 31, 2011 to September 30, 2012:

	Accrual at December 31, 2011	Expense	Cash Payments	Non-Cash Utilization	Accrual at September 30, 2012
Workforce reduction	\$ 1,298	\$	\$ (1,232)	\$	\$ 66
Consolidation of office facilities	1,750	(503)	(724)		523
Impairment of assets	130			(130)	
Total	\$ 3,178	\$ (503)	\$ (1,956)	\$ (130)	\$ 589

### January 2012 Restructuring

On January 24, 2012, the Company committed to a plan to take a series of strategic restructuring actions. The Company's decision to adopt the strategic restructuring actions resulted from the Company's desire to provide the Company with more flexibility to invest in marketing and sales activities in order to improve its long-term growth prospects and profitability. Through September 30, 2012, the Company has notified approximately 325 associates and approximately 60 associates have voluntarily left the Company, reducing the Company's workforce by approximately 385 associates. The restructuring actions also included the consolidation of certain office facilities and the impairment of certain fixed assets.

**Table of Contents**

The following table displays a roll forward of the January 2012 Restructuring and other special charges and related liability balances:

	Accrual at December 31, 2011	Expense	Cash Payments	Non-Cash Utilization	Accrual at September 30, 2012
Workforce reduction	\$	\$ 14,701	\$ (12,303)	\$	\$ 2,398
Consolidation of office facilities		6,002	(756)	(882)	4,364
Impairment of assets		5,249	156	(5,405)	
Other costs and professional fees		229	(152)		77
<b>Total</b>	<b>\$</b>	<b>\$ 26,181</b>	<b>\$ (13,055)</b>	<b>\$ (6,287)</b>	<b>\$ 6,839</b>

**9. Property and Equipment, Net**

The Company's property, equipment and accumulated depreciation balances are as follows (the following table excludes property and equipment, net attributable to the business held for sale):

	September 30, 2012	December 31, 2011
Capitalized software costs	\$ 179,040	\$ 163,688
Furniture and equipment	25,605	29,467
Leasehold improvements	44,742	49,168
Computer and communications equipment	189,893	178,170
	439,280	420,493
Less: accumulated depreciation	288,739	264,211
<b>Property and equipment, net</b>	<b>\$ 150,541</b>	<b>\$ 156,282</b>

As part of the January 2012 Restructuring, the Company wrote off fixed assets with a net book value of \$4,020 during the three months ended March 31, 2012 (see Note 8, *Restructuring and Other Special Charges*).

Depreciation expense was \$38,841 and \$42,512 for the nine months ended September 30, 2012 and 2011, respectively, which excludes depreciation expenses associated with the business held for sale.

**10. Goodwill**

The Company tests the recorded amount of goodwill for recovery on an annual basis in the fourth quarter of each fiscal year. Goodwill is tested more frequently if indicators of impairment exist. The goodwill impairment test is performed at the reporting unit level. The Company has four reporting units which are the equivalent to our four operating segments: Careers-North America, Careers-International, Careers-China and Internet Advertising & Fees. In determining if goodwill is impaired, we estimate the fair value of the reporting unit and compare it to the carrying value of the assets and liabilities of that reporting unit. These estimates and assumptions primarily include, but are not limited to, the discount rate, terminal growth rates, earnings before depreciation and amortization, and capital expenditures forecasts. Due to the inherent uncertainty involved in making these estimates, actual results could differ from those estimates.

For the annual goodwill impairment test performed in the fourth quarter of 2011, each of the Careers-North America, Careers-International and Internet Advertising & Fees reporting units had a fair value that substantially exceeded its carrying value. For the Careers-China reporting unit, the Company calculated a fair value that was within approximately 10% of the carrying value, using a discount rate of 13.5% and a terminal growth rate of 5%.

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

During the three months ended September 30, 2012, the Company performed a qualitative analysis for the Careers-China reporting unit and it was determined that the Careers-China reporting unit was more likely than not to have a fair value less than the unit's carrying amount. The conclusion was based on the recent financial performance of Careers-China compared to previously forecasted results, updated projections of future profitability as well as indicative offers from potential buyers of the Careers-China business (see Note 11, *Discontinued Operations*).

**Table of Contents**

Accordingly, the Company performed a step one fair value evaluation of Careers-China utilizing both a discounted cash flow analysis and the indicative offers from potential buyers of the Careers-China business. The result of this fair value analysis was that the fair value of the reporting unit was less than the carrying value and a step two analysis was required to determine the amount of goodwill impairment, if any. The Company performed the step two evaluation and determined that the goodwill for the Careers-China reporting unit was impaired. Therefore in the third quarter of 2012, we recorded a goodwill impairment charge for Careers-China of \$216,221.

A summary of changes in goodwill by reportable segment are as follows:

	Careers- North America	Careers- International	Internet Advertising & Fees	Total
<b>Balance as of December 30, 2011</b>	\$ 594,094	\$ 386,477	\$ 151,590	\$ 1,132,161
Impairment		(216,221)		(216,221)
Reclassification to assets of business held for sale		(45,958)		(45,958)
Translation and other adjustments, net		8,707		8,707
<b>Balance as of September 30, 2012</b>	\$ 594,094	\$ 133,005	\$ 151,590	\$ 878,689

As disclosed in Note 11, *Discontinued Operations*, the Company has classified Careers-China as a business held for sale and, accordingly, \$45,958 of goodwill has been reclassified from the Careers-International segment to assets of business held for sale.

**11. Discontinued Operations**

During the third quarter of 2012, as part of the Company's review of strategic alternatives, the Company made the decision to sell its Careers-China business unit. The sale of the Careers-China business is expected to be completed during the next 12 months. Operating results for the Careers-China business, which have previously been included in the Company's consolidated financial statements for the periods subsequent to October 2008 when the Company completed the acquisition of ChinaHR, have now been reclassified as business held for sale for all periods presented.

Summarized results of our business held for sale are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>Revenue</b>	<b>\$ 8,636</b>	<b>\$ 10,469</b>	<b>\$ 31,452</b>	<b>\$ 28,885</b>
Salaries and related	7,898	7,706	18,804	17,349
Office and general	4,416	4,572	12,976	11,372
Marketing and promotion	3,919	3,615	16,206	12,166
Restructuring and other special charges	60		219	
Release of ChinaHR escrowed funds		(17,400)		(17,400)
Impairment of goodwill	216,221		216,221	
Operating expenses	232,514	(1,507)	264,426	23,487
Interest and other, net	(260)	(57)	(642)	(4)
Provision for (benefit from) income taxes	9,090	(1,360)	9,090	(2,882)
<b>(Loss) income from business held for sale, net of tax</b>	<b>\$ (233,228)</b>	<b>\$ 13,279</b>	<b>\$ (242,706)</b>	<b>\$ 8,276</b>



**Table of Contents**

At September 30, 2012, there was approximately \$20,000 of accumulated unrealized currency translation gain related to the Careers-China reporting unit. The amount of such accumulated unrealized currency translation adjustment will continue to fluctuate with the volatility in the currency markets. At such time of the completion of the sale of the Careers-China business, the then accumulated unrealized currency translation adjustment will be recorded into income or expense.

As disclosed in Note 10, *Goodwill*, the Company concluded that the Careers-China reporting unit's goodwill was impaired in the third quarter of 2012. Further, as disclosed in Note 14, *Income Taxes*, the Company recorded a full valuation allowance of \$9,090 associated with Careers-China deferred tax assets.

The major classes of assets and liabilities of the Careers-China business are presented in the following table. As of September 30, 2012, all assets and liabilities have been classified as current in the Consolidated Balance Sheets as the sale is expected to occur within the next twelve months.

	September 30, 2012
Accounts receivable net of doubtful accounts of \$723	\$ 14,240
Prepaid and other	4,408
Property and equipment, net	10,571
Intangibles, net	5,126
Goodwill	45,958
<b>Total assets of business held for sale</b>	<b>\$ 80,303</b>
Accounts payable, accrued expenses and other current liabilities	\$ 11,799
Deferred revenue	20,082
<b>Total liabilities of business held for sale</b>	<b>\$ 31,881</b>

**12. Financial Derivative Instruments**

The Company uses forward foreign exchange contracts as cash flow hedges to offset risks related to foreign currency transactions. These transactions primarily relate to non-functional currency denominated monetary assets, inter-company funding loans and inter-company accounts receivable.

The fair value of our derivative positions in the Consolidated Balance Sheets at September 30, 2012 and December 31, 2011 are as follows:

	Component of	September 30, 2012		Fair Value
		Notional Amount	Maturity Dates	
<b><u>Designated as Hedges under ASC 815</u></b>				
None		\$		\$
<b><u>Not Designated as Hedges under ASC 815</u></b>				
Foreign currency exchange forwards	Prepaid and other	2,208	October 2012	14
Foreign currency exchange forwards	Accrued expenses and other current liabilities	82,329	October 2012	(531)
<b>Total Derivative Instruments</b>		\$ 84,537		\$ (517)

	Component of	December 31, 2011		Fair Value
		Notional Amount	Maturity Dates	



**Designated as Hedges under ASC 815**

None	\$	\$
------	----	----

**Not Designated as Hedges under ASC 815**

Foreign currency exchange forwards			January through February 2012	
	Prepaid and other	52,373		215

<b>Total Derivative Instruments</b>	\$	52,373	\$	215
-------------------------------------	----	--------	----	-----

## Table of Contents

The amounts of unrealized and realized net gains and changes in the fair value of our derivative positions are as follows:

	Location of Realized and Unrealized Net Gain (Loss) and Changes in the Fair Value of Forward Contracts	Amount of Realized and Unrealized Net Gain (Loss) and Changes in the Fair Value of Forward Contracts			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2012	2011	2012	2011
Foreign currency exchange forwards	Interest and other, net	\$ 1,146	\$ (222)	\$ 1,419	\$ (54)

### 13. Financing Agreements

In December 2007, the Company entered into a senior unsecured revolving credit facility that provided for maximum borrowings of \$250,000, including up to a \$50,000 sublimit for letters of credit. On August 31, 2009, with the objective of availing itself of the benefits of an improved credit market in an ongoing unstable macroeconomic environment, the Company amended certain terms and increased its borrowing capability under its existing credit agreement (the First Amended Credit Agreement). The First Amended Credit Agreement maintained the Company's existing \$250,000 revolving credit facility and provided for a new \$50,000 term loan facility, for a total of \$300,000 in credit available to the Company. On March 22, 2012, the First Amended Credit Agreement was further amended and restated in its entirety (the Second Amended Credit Agreement). The Second Amended Credit Agreement provides the Company with a \$225,000 revolving credit facility and a \$100,000 term loan facility, providing for a total of \$325,000 in credit available to the Company. The borrowings under the Second Amended Credit Agreement were used to satisfy the obligations under the First Amended Credit Agreement of \$172,500 for the revolving credit facility and \$40,000 for the term loan. The revolving credit facility and the term loan facility each mature on March 22, 2015. The Second Amended Credit Agreement does not qualify as a debt extinguishment in accordance with ASC 470 *Debt*, and all financing fees incurred will be deferred and amortized through March 2015. The Company is required to make quarterly amortization payments on the outstanding principal amount of the term loan with \$1,250 payable on each of December 31, 2012 and March 31, 2013, \$1,875 payable on each of June 30, 2013, September 30, 2013, December 31, 2013, and March 31, 2014, \$2,500 payable on each of June 30, 2014, September 30, 2014, and December 31, 2014 and the remaining balance of the term loan due at maturity.

Borrowings under the Second Amended Credit Agreement will bear interest at a rate equal to either (i) the British Bankers Association London InterBank Offered Rate (BBA LIBOR) plus a margin ranging from 250 basis points to 325 basis points depending on the Company's consolidated leverage ratio or (ii) the sum of (A) the highest of (1) the agent's prime rate, (2) the sum of 0.50% plus the overnight federal funds rate on such day or (3) the BBA LIBOR plus 1.0%, and (B) a margin ranging from 150 basis points to 225 basis points depending on the Company's consolidated leverage ratio. In addition, the Company will be required to pay the following fees: (i) a fee on all outstanding amounts of letters of credit at a rate per annum ranging from 250 basis points to 325 basis points (depending on the consolidated leverage ratio); and (ii) a commitment fee on the unused portion of the revolving credit facility at a rate per annum ranging from 35 basis points to 50 basis (depending on the consolidated leverage ratio). The Company may repay outstanding borrowings at any time during the term of the credit facility without any prepayment penalty.

The Second Amended Credit Agreement contains financial covenants requiring the Company to maintain: (i) a consolidated leverage ratio of no more than 3.00 to 1.00; and (ii) an interest charge coverage ratio of at least 3.00 to 1.00. The Second Amended Credit Agreement also contains various other negative covenants, including restrictions on incurring indebtedness, creating liens, mergers, dispositions of property, dividends and stock repurchases, acquisitions and other investments and entering into new lines of business. The Second Amended Credit Agreement also contains various affirmative covenants, including covenants relating to the delivery of financial statements and other financial information, maintenance of property, maintenance of insurance, maintenance of books and records and compliance with environmental laws. As of September 30, 2012, the Company was in full compliance with its covenants.

At September 30, 2012, the utilized portion of this credit facility was \$97,500 in borrowings on the term loan facility, \$90,500 of borrowings on the revolving credit facility, and \$6,376 in outstanding letters of credit. The portion of the term loan that is due within one year is \$6,250 and is classified as short-term in the consolidated balance sheet. The remaining amount outstanding on the term loan and the utilized portion of the revolving credit facility is classified as long-term in the consolidated balance sheet. As of September 30, 2012, based on the calculation of the maximum consolidated leverage ratio, \$128,124 of the Company's revolving credit facility was available. At September 30, 2012, the one month BBA LIBOR rate, the agent's prime rate, and the overnight federal funds rate were 0.21%, 3.25% and 0.09%, respectively. As of September 30, 2012, the Company used the one month BBA LIBOR rate for the interest rate on these borrowings with an interest rate of 2.72%.



## **Table of Contents**

In the second quarter of 2011, one of the Company's subsidiaries in China entered into a one-year unsecured uncommitted revolving credit facility, guaranteed by the Company, which provides for maximum borrowings of \$7,494. During the third quarter of 2011, the remaining subsidiaries in China guaranteed the unsecured uncommitted revolving credit facility. The expiration date has been extended to March 1, 2013 and each of the Company's three subsidiaries in China may now borrow under this revolving credit facility. The lender has the right to terminate the revolving credit facility at any time and demand immediate payment. The Company may prepay outstanding borrowings and accrued interest under the revolving credit facility only with the consent of the lender. The Company is obligated to indemnify the lender for any costs and losses incurred by the lender as a result of such prepayment. The credit facility contains covenants which include obtaining, complying and maintaining all verifications, authorizations, approvals, registrations, licenses and consents required by local law to perform its obligations to the lender under the credit agreement, notifying the lender forthwith of the occurrence of any event that may affect the Company's ability to perform any of its obligations under the credit agreement and using the credit facility for financing its working capital requirements. As of September 30, 2012, the Company was in full compliance with its covenants. As of September 30, 2012, the interest rate on these borrowings was 6.25%, the utilized portion was \$5,641, which is classified as short-term in the consolidated balance sheet as of September 30, 2012, and \$1,853 was available to be utilized by the Company.

In the second quarter of 2012, one of the Company's subsidiaries in China entered into an additional one-year uncommitted revolving credit facility, secured by a standby letter of credit, which provides for maximum borrowings of \$4,996. The lender has the right to terminate this facility at any time and demand immediate payment. The Company may prepay outstanding borrowings and accrued interest under this facility only with the consent of the lender. The Company is obligated to indemnify the lender for any costs and losses incurred by the lender as a result of such prepayment. This facility contains covenants which include obtaining, complying and maintaining all verifications, authorizations, approvals, registrations, licenses and consents required from the borrower by local law to perform its obligations to the lender under the loan agreement, notifying the lender forthwith of the occurrence of any event that may affect the Company's ability to perform any of its obligations under the credit agreement and using this credit facility for financing its working capital requirements. As of September 30, 2012, the Company was in full compliance with its covenants. As of September 30, 2012, the interest rate on these borrowings was 6.02%, the utilized portion was \$2,300, which is classified as short-term in the consolidated balance sheet as of September 30, 2012, and \$2,696 was available to be utilized by the Company.

## **14. Income Taxes**

The provision for income taxes consists of provisions for federal, state and foreign income taxes. The Company operates globally with operations in various tax jurisdictions outside of the United States. Accordingly, the effective income tax rate is a composite rate reflecting the geographic mix of earnings in various tax jurisdictions and the applicable rates. Our interim provision for income taxes is measured using an estimated annual effective tax rate, adjusted for discrete items that occur within the periods presented. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries with lower statutory rates, increases in recorded valuation allowances of tax assets, or changes in tax laws or interpretations thereof.

Our effective tax rate differs from the federal United States statutory tax rate of 35% due to accrual of state taxes, non-deductible expenses, foreign earnings taxed at different rates, accrual of interest on tax liabilities, accrual of United States residual tax on earnings that are not permanently reinvested and the effect of valuation allowances. The tax benefit for the nine months ended September 30, 2012 increased by \$45,771 of discrete items, consisting primarily of \$19,276 of a tax benefit related to certain tax losses arising from the Company's restructuring. This benefit was partially offset by the effect of valuation allowances, uncertain tax positions and accruals of interest on tax liabilities. In addition, the Company recognized previously unrecognized tax benefits and reversed accrued interest on unrecognized tax benefits which resulted in a credit to the income tax provision of \$35,566.

During the three months ended September 30, 2012, the Company completed a tax examination with the United States Internal Revenue Service for the years 2006 through 2009. As a result of settlement of the examination, the Company recognized previously unrecognized tax benefits of \$38,024 which, on a net of tax basis, impacted the effective rate by \$29,059. The Company also reversed accrued interest related to unrecognized tax benefits of \$8,034 which, on a net of tax basis, impacted the effective rate by \$4,860. The tax matters recognized related to the allocation of income among tax jurisdiction and the benefits related to certain tax net operating losses. The examination did not have a material impact to the Company and resulted in no significant cash tax due. In the third quarter of 2012, the Company also settled a state tax matter which resulted in recognition of unrecognized tax benefits and reversals of accrued interest which impacted the income tax provision on a net of tax basis by \$403. The total benefit reflected in the third quarter of 2012 due to reversals of tax and interest was \$34,322.

In the three months ended June 30, 2012, the Company recognized \$1,015 of previously unrecognized tax benefits, which on a net of tax basis impacted the effective tax rate by \$660 resulting from the settlements and adjustments to estimated tax liabilities. The Company also reversed accrued interest related to unrecognized tax benefits of \$966, which on a net of tax basis impacted the effective tax rate by \$584. The total benefit reflected in the income tax provision in the third quarter of 2012 due to reversals of tax and interest was \$1,244.

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

As further discussed in Note 10, *Goodwill*, in the three months ended September 30, 2012, the Company reclassified its Careers-China reporting unit as a business held for sale and recognized a charge for impairment of goodwill. Further, as a result of management revising the estimated timing of the profitability of the Careers-China business, we recorded a full valuation allowance of the deferred tax asset related to the Careers-China business. This is reflected as a \$9,090 tax charge component in the results of operations of the business held for sale (see Note 11, *Discontinued Operations*).

**Table of Contents**

Due to the release of escrowed funds in the amount of \$17,400 associated with the Careers-China acquisition (see Note 5, *Business Combinations*) during the three months ended September 30, 2011, which was reclassified to business held for sale for the three and nine months ended September 30, 2012 and 2011 (see Note 11, *Discontinued Operations*), is not included in net income for tax purposes since it is considered a non-taxable litigation settlement and is treated as reduction of purchase price of acquired stock and as such decreased the Company's overall effective tax rate.

Additionally, due to settlement of a tax examination during the second quarter of 2011, the Company recognized \$1,456 of previously unrecognized tax benefits, which on a net of tax basis, impacted the effective tax rate by \$947. The Company also reversed accrued interest related to unrecognized tax benefits of \$832, which on a net of tax basis, impacted the effective tax rate by \$541. The total benefit reflected in the nine months ended September 30, 2011 due to reversals of tax and interest was \$1,488.

The Company is currently under examination by several domestic (state) and international tax authorities. Presently, no material adjustments have been proposed. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. The gross recorded liability for uncertain tax positions (inclusive of estimated interest and penalties thereon) as of September 30, 2012 and December 31, 2011 is recorded on the Company's consolidated balance sheet as long-term income taxes payable of \$61,612 and \$94,750, respectively. Interest and penalties related to underpayment of income taxes are classified as a component of income tax expense in the consolidated statements of operations and comprehensive income (loss). The Company estimates that it is reasonably possible that unrecorded tax benefits may be reduced by as much as zero to \$15,000 in the next twelve months due to expirations of statutes of limitations or settlement of tax examinations. The tax matters concerned relate to the allocation of income among jurisdictions and the characterization of certain intercompany loans.

**15. Segment and Geographic Data**

The Company conducts business in three reportable segments: Careers-North America, Careers-International and Internet Advertising & Fees. Corporate operating expenses are not allocated to the Company's reportable segments.

Primarily resulting from the acquisition of ChinaHR in October 2008, the Company's Chief Operating Decision Maker (as defined by ASC 280, *Segments*) began reviewing the operating results of Careers-China and initiated the process of making resource allocation decisions for Careers-China separately from the Careers-International operating segment (of which ChinaHR was formerly a part). Accordingly, beginning in 2009, the Company has the following four operating segments: Careers-North America, Careers-International, Careers-China and Internet Advertising & Fees. Pursuant to ASC 280, *Segments*, due to the economic similarities of both operating segments, the Company aggregates the Careers-International and Careers-China operating segments into one reportable segment: Careers-International. In the third quarter of 2012, as part of the Company's evaluation of strategic alternatives, the Company decided to hold the Careers-China business for sale. Accordingly, Careers-China results have been reclassified as a business held for sale for all periods presented.

The following tables present the Company's operations by reportable segment and by geographic region:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>Revenue</b>				
Careers-North America	\$ 115,455	\$ 123,160	\$ 351,418	\$ 366,757
Careers-International	87,451	103,623	272,825	305,918
Internet Advertising & Fees	18,804	21,797	57,728	88,566
<b>Revenue</b>	<b>\$ 221,710</b>	<b>\$ 248,580</b>	<b>\$ 681,971</b>	<b>\$ 761,241</b>
<b>Operating Income</b>				
Careers-North America	\$ 17,169	\$ 21,434	\$ 35,279	\$ 54,425
Careers-International	4,124	15,825	6,407	38,082
Internet Advertising & Fees	4,990	395	13,565	3,760
Corporate	(11,655)	(8,503)	(32,464)	(42,097)
<b>Operating Income</b>	<b>\$ 14,628</b>	<b>\$ 29,151</b>	<b>\$ 22,787</b>	<b>\$ 54,170</b>



**Table of Contents**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b><u>Depreciation and Amortization</u></b>				
Careers-North America	\$ 8,898	\$ 9,276	\$ 26,694	\$ 27,618
Careers-International	5,588	5,728	16,376	17,461
Internet Advertising & Fees	1,479	2,198	4,496	6,650
Corporate	176	151	528	392
<b>Depreciation and Amortization</b>	<b>\$ 16,141</b>	<b>\$ 17,353</b>	<b>\$ 48,094</b>	<b>\$ 52,121</b>
<b><u>Restructuring</u></b>				
Careers-North America	\$ (116)	\$	\$ 14,213	\$
Careers-International	418	323	9,282	323
Internet Advertising & Fees	8	1,681	1,166	1,681
Corporate	(66)		1,017	
<b>Restructuring</b>	<b>\$ 244</b>	<b>\$ 2,004</b>	<b>\$ 25,678</b>	<b>\$ 2,004</b>
<b><u>Revenue by Geographic Region<sup>(a)</sup></u></b>				
United States	\$ 129,182	\$ 138,832	\$ 392,351	\$ 436,036
Germany	17,698	25,012	60,007	73,867
Other foreign	74,830	84,736	229,613	251,338
<b>Revenue</b>	<b>\$ 221,710</b>	<b>\$ 248,580</b>	<b>\$ 681,971</b>	<b>\$ 761,241</b>

	September 30, 2012	December 31, 2011
<b><u>Total Assets by Segment</u></b>		
Careers-North America	\$ 850,583	\$ 881,942
Careers-International <sup>(b)</sup>	478,791	825,559
Internet Advertising & Fees	168,777	172,456
Corporate	20,605	25,073
Shared <sup>(c)</sup>	139,536	152,968
Business held for sale	80,303	
<b>Total</b>	<b>\$ 1,738,595</b>	<b>\$ 2,057,998</b>

	September 30, 2012	December 31, 2011
<b><u>Long-Lived Assets by Geographic Region<sup>(d)</sup></u></b>		
United States	\$ 105,409	\$ 111,747
International	45,132	44,535
<b>Total Long-Lived Assets</b>	<b>\$ 150,541</b>	<b>\$ 156,282</b>

(a) Revenue by geographic region is generally based on the location of the Company's subsidiary.

(b) The 2012 balances exclude \$80,303 attributable to the Careers-China business whose assets are reported as business held for sale.

(c) Shared assets represent assets that provide economic benefit to all of the Company's operating segments. Shared assets are not allocated to operating segments for internal reporting or decision-making purposes.



## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

- (d) Total long-lived assets include property and equipment, net and at September 30, 2012, excludes \$10,571 attributable to the Careers-China business whose assets are reported as business held for sale.

**Table of Contents****16. Commitments and Contingencies*****Recovery of Restitution Award from Former Executive***

In May 2009, the former Chief Operating Officer of the Company was convicted of securities fraud in connection with the Company's historical stock option granting practices. As a result of his conviction, he was ordered to pay an amount approximating \$5,600 in a civil forfeiture to the United States federal government. The Company filed a petition with the United States Department of Justice (DOJ) seeking such sum in partial restitution for the damages the former Chief Operating Officer caused to the Company. The DOJ granted the Company's request in the first quarter of 2012 and remitted \$5,600 to the Company in April 2012, which resulted in a net \$5,350 gain in the three months ended March 31, 2012 after deducting legal fees incurred by the Company.

***Legal Proceedings***

The Company is involved in various legal proceedings that are incidental to the conduct of its business. Aside from the matters discussed below, the Company is not involved in any pending or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition, results of operations and cash flows.

In April 2012, TQP Development, LLC filed suit against the Company for allegedly infringing a patent relating to the transmission of encrypted data. The lawsuit, entitled TQP Development, LLC v. Monster Worldwide, Inc. (Civil Action No. 2:12-cv-186), is pending in the United States District Court for the Eastern District of Texas. The plaintiff seeks injunctive relief, monetary damages, pre and post judgment interest, and other costs. The Company intends to vigorously defend this matter and is currently unable to estimate any potential losses.

In July 2012, Data Carriers, LLC filed suit against the Company for allegedly infringing a patent relating to a system for monitoring and automating the use of a computer. The lawsuit, entitled Data Carriers, LLC v. Monster Worldwide, Inc. (Civil Action No. 12-940), is pending in the United States District Court for the District of Delaware. The plaintiff seeks injunctive relief, monetary damages, pre and post judgment interest, and other costs. The Company intends to vigorously defend this matter and is currently unable to estimate any potential losses.

***Leases***

The Company leases its facilities and a portion of its capital equipment under operating leases that expire at various dates. Some of the operating leases provide for increasing rents over the terms of the leases and total rent expense under these leases is recognized ratably over the initial renewal period of each lease. The following table presents future minimum lease commitments under non-cancelable operating leases and minimum rentals to be received under non-cancelable subleases at September 30, 2012:

<b>Year ending December 31,</b>	<b>Operating Leases</b>	<b>Sublease Income</b>
2012 (remaining three months)	\$ 10,696	\$ (450)
2013	41,775	(1,734)
2014	37,365	(1,590)
2015	27,541	(1,776)
2016	18,949	(2,927)
Thereafter	55,069	(12,966)
<b>Total minimum lease payments</b>	<b>\$ 191,395</b>	<b>\$ (21,443)</b>

**17. Subsequent Events**

On November 8, 2012, the Company announced actions designed to concentrate resources on core businesses within North America and key European and Asian markets with increased spending in marketing and sales. In addition to our decision in the third quarter of 2012 to sell the Careers-China business, the Company will evaluate options in developing markets as well as implement additional cost reduction initiatives. We expect the estimated one-time costs of these actions to be approximately \$50,000-\$60,000, the majority of which will be cash and will be recorded as restructuring expenses primarily in the fourth quarter of 2012.



**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders

Monster Worldwide, Inc.

New York, New York

We have reviewed the consolidated balance sheet of Monster Worldwide, Inc. (the Company) as of September 30, 2012, and the related consolidated statements of operations and comprehensive income (loss) for the three and nine month periods ended September 30, 2012 and 2011 and cash flows for the nine month periods ended September 30, 2012 and 2011 included in the accompanying Securities and Exchange Commission Form 10-Q for the period ended September 30, 2012. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit which is conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the accounting principles generally accepted in the United States.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board, the consolidated balance sheet of Monster Worldwide, Inc. as of December 31, 2011 and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 31, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2011 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

**/s/ BDO USA, LLP  
BDO USA, LLP  
New York, New York  
November 9, 2012**

## **Table of Contents**

### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Monster Worldwide, Inc. (together with its consolidated subsidiaries, the Company, Monster, Monster Worldwide, we, our or us) makes forward-looking statements in this report and in other reports and proxy statements that we file with the United States Securities and Exchange Commission (SEC). Except for historical information contained herein, the statements made in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Such forward-looking statements involve certain risks and uncertainties, including statements regarding our strategic direction, prospects and future results. Certain factors, including factors outside of our control, may cause actual results to differ materially from those contained in the forward-looking statements. These factors include, among other things, the global economic and financial market environment; risks associated with cuts in government spending; risks relating to our foreign operations; risks relating to the European debt crisis and market perceptions concerning the instability of the euro; our ability to maintain and enhance the value of our brands, particularly Monster; competition; risks related to our exploration of strategic alternatives; fluctuations in our quarterly operating results; our ability to adapt to rapid developments in technology; our ability to continue to develop and enhance our information technology systems; concerns related to our privacy policies and our compliance with applicable data protection laws and regulations; intrusions on our systems; interruptions, delays or failures in the provision of our services; our vulnerability to intellectual property infringement claims brought against us by others; our ability to protect our proprietary rights or maintain our rights to use key technologies of third parties; the risk that acquisitions or partnerships may not achieve the expected benefits to us; our ability to attract and retain talented employees, including senior management; potential write-downs if our goodwill or amortizable intangible assets become impaired; adverse determinations by domestic and/or international taxation authorities related to our estimated tax liabilities; effects of anti-takeover provisions in our organizational documents that could inhibit the acquisition of Monster Worldwide by others; volatility in our stock price; risks associated with government regulation; the outcome of litigation we may become involved in from time to time; and other risks and uncertainties set forth from time to time in our reports to the SEC, including under Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q.

#### **Overview**

Monster is the premier global online employment solution provider, inspiring people to improve their lives, with a presence in approximately 55 countries around the world. We have built on Monster's brand and created worldwide awareness by offering online recruiting solutions that we believe are redefining the way employers and job seekers connect. For employers, our goal is to provide the most effective solutions and easiest to use technology to simplify the hiring process and cost effectively deliver access to our community of job seekers. For job seekers, our purpose is to help improve their careers by providing work-related content, services and advice. Our services and solutions include searchable job advertisements, resume database access, recruitment media solutions through our advertising network and partnerships, and other career-related content. Job seekers can search our job advertisements and post their resumes for free on each of our career websites and mobile applications. Employers pay to advertise available jobs and recruitment related services, search our resume database, and access other career-related services.

Our investments in our technology platform have allowed us to continue delivering innovative products and services on a global basis. Over the last few years, we consolidated several technology systems and created a platform that is more secure, scalable and redundant. Our strategy has been to grow our business both organically and through strategic acquisitions and alliances in which the growth prospects fit our long-term strategic growth plan.

Following the June 2011 launch of BeKnown®, Monster's professional networking application available on the Facebook platform, the Company announced the integration into its core site experience in North America, South America, Australia and throughout Europe. This application is available in 50 countries and in 19 languages. BeKnown not only extends Monster's global reach and leverages the world's most popular global social network, the integration into the core site now enables job seekers on Monster to instantly see how they are already connected to job opportunities through their Facebook and BeKnown contacts. The site integration also expands employers' social recruiting reach by getting their jobs in front of a growing professional network among Facebook's members.

On August 24, 2010, the Company completed the acquisition of the Yahoo! HotJobs Assets from Yahoo!, Inc. (Yahoo!) which we believe has expanded our market share in the North America online recruitment market. Concurrent with the closing of the acquisition, Monster and Yahoo! entered into a three year commercial traffic agreement whereby Monster became Yahoo!'s exclusive provider of career and job content on the Yahoo! homepage in the United States and Canada. This traffic agreement has increased our reach in North America. Separately, we formed a multi-country relationship with Yahoo! across South America to bring career opportunities and resources to Yahoo! users, employers and job-seekers. We are now Yahoo!'s exclusive provider of career and job content in key markets across South America.

## **Table of Contents**

In 2008, we acquired Trovix Inc., a business that provides career-related products and services that utilize semantic search technology, focusing on key attributes such as skills, work history and education. Our patented 6Sense<sup>®</sup> semantic search and matching technology, which is based upon Trovix technology, is the backbone of a growing family of products for both job seekers and employers. Our innovative and proprietary semantic resume search product, Monster Power Resume Search<sup>®</sup> ( PRS ) has been available to customers in North America since late 2009, and more recently to customers in the United Kingdom and France. We launched PRS in Germany in late 2011 and expect to rollout PRS in the Netherlands in the future. Our 6Sense technology transforms traditional keyword-based processes by assisting our customers in matching candidates to their required job specifications. We also introduced 6Sense powered job search, which has changed how seekers explore, find and apply for jobs. We introduced our cloud based search product SeeMore<sup>®</sup> in the third quarter of 2011, which allows our customers to utilize our 6Sense technology on their own talent databases and the Company believes that SeeMore represents an incremental growth opportunity.

The Career Ad Network ( CAN ) is now the industry's largest recruitment-focused online advertising network which reaches, on average, around 116 million internet users each month on a global basis. We offer this innovative media product to customers in North America and most major markets in Europe as well as in Australia and Brazil and expect to expand this offering to other international countries in which we operate. CAN distributes our customers' job advertisements across a broad array of targeted websites and is an effective way of expanding our customers' pool of active and passive seekers. Additionally, we offer our customers application tracking services, diversity resume database services and other ancillary services either directly or through alliances to meet the changing needs of our customers.

We believe the long-term growth opportunities overseas are significant and believe that we are positioned to benefit from our expanded reach and broadened product portfolio, increased brand recognition around the world, and the continued secular shift towards online recruiting. We operate a government solutions business, Monster Government Solutions ( MGS ), which sells online solutions to federal, state and local governments and educational institutions within the United States. We have expanded our MGS business to Europe and recently signed the largest international transaction in the Company's history with the United Kingdom Government for over \$20.0 million. MGS provides recruitment solutions that engage seekers and employers online, enables MGS customers to attract qualified candidates, expedites time to hire and creates online communities using innovative technologies and services. These services primarily include customized career sites hosted by MGS utilizing a Software as a Service ( SaaS ) model.

Our Internet Advertising & Fees business operates a network of websites that connect companies to highly targeted audiences at critical stages in their lives. Our goal is to offer compelling online services for the users of such websites through personalization, community features and enhanced content. We monetize this web traffic through display advertising and lead generation. We believe that these properties appeal to advertisers and other third parties as they deliver certain discrete demographics entirely online. Beginning in the third quarter of 2011, the Company no longer engages in arbitrage lead generation activities due to the diminishing profit opportunity and the promulgation of new regulations applicable to the Company's customers in the for-profit education business.

On March 1, 2012, the Company announced that it had resolved to explore strategic alternatives to maximize value for the Company's stockholders. There can be no assurance that this process will result in the pursuit or consummation of any strategic transaction. During this process, we do not intend to provide interim updates or announce or otherwise disclose developments (whether or not material) related to the strategic review process. On November 8, 2012, the Company announced actions designed to concentrate resources on core businesses within North America and key European and Asian markets with increased spending in marketing and sales. In addition to our decision in the third quarter of 2012 to sell the Careers-China business, the Company will evaluate options in developing markets as well as implement additional cost reduction initiatives. We expect the estimated one-time costs of these actions to be approximately \$50.0 million-\$60.0 million, the majority of which will be cash and will be recorded as restructuring expenses primarily in the fourth quarter of 2012.

### **January 2012 Restructuring**

On January 24, 2012, the Company committed to a plan to take a series of strategic restructuring actions. The Company's decision to adopt the strategic restructuring actions resulted from the Company's desire to provide the Company with more flexibility to invest in marketing and sales activities in order to improve its long-term growth prospects and profitability. Through September 30, 2012, the Company has notified approximately 325 associates and approximately 60 associates have voluntarily left the Company, reducing the Company's workforce by approximately 385 associates. The restructuring actions also included the consolidation of certain office facilities and the impairment of certain fixed assets. To date, the Company has incurred \$26.2 million of restructuring costs.

**Table of Contents****Business Held for Sale**

During the third quarter of 2012, as part of the Company's review of strategic alternatives, the Company made the decision to sell its Careers-China business unit which was acquired in October 2008. The sale of the Careers-China business is expected to be completed during the next 12 months. Operating results for the Careers-China business, which had previously been included in the Company's Consolidated Statement of Operations for the periods subsequent to the October 2008 acquisition, have now been reclassified as business held for sale for all periods presented. Additionally, the Company recorded a goodwill impairment charge of \$216.2 million which is reported as a component of (Loss) income from discontinued operations, net. The goodwill impairment resulted from the recent financial performance of Careers-China compared to previously forecasted results, updated projections of future profitability as well as indicative offers from potential buyers of the Careers-China business. Please see Note 10, *Goodwill* and Note 11, *Discontinued Operations* in Notes to the Consolidated Financial Statements in Part I of this Form 10-Q.

**Constant Currency Presentation**

Revenue and bookings (which represent the value of contractual orders received during the relevant period) from our international operations has historically represented, and we expect will continue to represent, a significant portion of our business. As a result, our revenue and bookings growth has been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. In order to provide a framework for assessing how our consolidated and Careers-International operating results performed excluding the impact of foreign currency fluctuations, we additionally present the year-over-year percentage change in revenue and bookings performance on a constant currency basis, which assumes no change in the exchange rate from the prior-year period. This constant currency is provided in addition to, and not as a substitute for, the year-over-year percentage change in revenue and bookings on an as-reported basis.

**Results of Operations**

Consolidated operating results as a percentage of revenue for the three and nine months ended September 30, 2012 and 2011 are as follows:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>Revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Salaries and related	45.5%	48.9%	46.5%	49.9%
Office and general	27.6%	21.3%	25.4%	22.9%
Marketing and promotion	20.2%	17.3%	21.8%	19.8%
Restructuring and other special charges	0.1%	0.8%	3.8%	0.3%
Recovery of restitution award from former executive	0.0%	0.0%	-0.8%	0.0%
Total operating expenses	93.4%	88.3%	96.7%	92.9%
<b>Operating income</b>	<b>6.6%</b>	<b>11.7%</b>	<b>3.3%</b>	<b>7.1%</b>
Interest and other, net	-0.7%	-0.5%	-0.6%	-0.3%
Income before income taxes and loss in equity interests	5.9%	11.2%	2.7%	6.8%
(Benefit from) provision for income taxes	-11.8%	3.5%	-5.8%	2.2%
Loss in equity interests, net	-0.1%	-0.1%	-0.1%	-0.1%
Income from continuing operations	17.6%	7.5%	8.4%	4.5%
(Loss) income from discontinued operations, net of tax	-105.2%	5.3%	-35.6%	1.1%
<b>Net (loss) income</b>	<b>-87.6%</b>	<b>12.8%</b>	<b>-27.2%</b>	<b>5.6%</b>





**Table of Contents*****The Three Months Ended September 30, 2012 Compared to the Three Months Ended September 30, 2011******Consolidated Revenue, Operating Expenses and Operating Income***

Consolidated revenue, operating expenses and operating income for the three months ended September 30, 2012 and 2011 excluding the results of the business held for sale are as follows:

(dollars in thousands)	Three Months Ended September 30,					
	2012	% of 2012 Revenue	2011	% of 2011 Revenue	Increase (Decrease)	% Increase (Decrease)
Revenue	\$ 221,710	100.0%	\$ 248,580	100.0%	\$ (26,870)	(10.8)%
Salaries and related	100,837	45.5%	121,602	48.9%	(20,765)	(17.1)%
Office and general	61,289	27.6%	52,912	21.3%	8,377	15.8%
Marketing and promotion	44,712	20.2%	42,911	17.3%	1,801	4.2%
Restructuring and other special charges	244	0.1%	2,004	0.8%	(1,760)	(87.8)%
Total operating expenses	207,082	93.4%	219,429	88.3%	(12,347)	(5.6)%
Operating income	\$ 14,628	6.6%	\$ 29,151	11.7%	\$ (14,523)	(49.8)%

Our consolidated revenue from continuing operations decreased \$26.9 million, or 10.8%, in the third quarter of 2012 compared to the same period of 2011. In constant currency, our consolidated revenue decreased 7.2% compared to the same period of 2011. Our Careers-International segment decreased 15.6% (in constant currency, our Careers-International revenue would have decreased 7.1% compared to the same period of 2011) due to decreases within most countries in Europe as well as decreases in Korea. Our Careers-North America segment decreased 6.3% primarily due to decreased revenue from our enterprise, ecommerce and government sectors, partially offset by increases in our staffing and newspaper sectors. These decreases in our consolidated Careers segments were primarily due to the deceleration of booking activity beginning in the fourth quarter of 2011 and continuing in 2012, which resulted from the increased global economic uncertainty. Our Internet Advertising & Fees revenue decreased 13.7%. This decrease resulted primarily from the Company focusing on higher margin lead generation and advertising business activities as demonstrated by our operating margins in the third quarter of 2012.

Overall bookings decreased 14.6% in the third quarter of 2012 compared to the same period of 2011. In constant currency, our consolidated bookings would have decreased 11.7% compared to the same period of 2011. With the investments that the Company has made to further broaden its product portfolio to provide customers a broad array of technology-based solutions for their talent management strategy, including the recent launches of BeKnown and our next generation semantic search product, SeeMore, the Company is well positioned to take advantage when the global economy accelerates.

Salary and related expenses decreased \$20.8 million, or 17.1%, in the third quarter of 2012 compared to the same period of 2011, which includes \$4.5 million of favorable foreign exchange. This decrease in salaries and related expenses resulted primarily from decreased regular salary costs as a result of the continuing effect our restructuring programs, decreased associate incentive programs, decreased stock-based compensation as well as decreased variable compensation costs for the Company's sales force resulting from decreased booking activity.

Office and general expenses increased \$8.4 million, or 15.8%, in the third quarter of 2012 compared to the same period of 2011, which includes \$1.5 million of favorable foreign exchange impact. This increase in office and general expenses resulted primarily from increased professional fees in the UK related to our government services sector as well as fees associated with Company's plan to evaluate strategic alternatives. We may incur significant incremental third party consulting, advisory, legal and other expenses in 2012 related to our evaluation of strategic alternatives.

Marketing and promotion expenses increased \$1.8 million, or 4.2%, in the third quarter of 2012 compared to the same period of 2011, which includes \$1.6 million of favorable foreign exchange impact. This increase resulted primarily from our continued focus and investment in online marketing in the United States, which has had significant positive impact on seeker traffic levels.

Our consolidated operating income was \$14.6 million in the third quarter of 2012, compared to operating income of \$29.2 million in the third quarter of 2011, as a result of the factors discussed above.



## Table of Contents

### Careers-North America

The operating results of our Careers-North America segment for the three months ended September 30, 2012 and 2011 are as follows:

(dollars in thousands)	Three months ended September 30,					
	2012	% of 2012 Revenue	2011	% of 2011 Revenue	Increase (Decrease)	% Increase (Decrease)
<b>Revenue</b>	\$ 115,455	100.0%	\$ 123,160	100.0%	\$ (7,705)	(6.3)%
Salaries and related	44,823	38.8%	54,412	44.2%	(9,589)	(17.6)%
Office and general	25,793	22.3%	24,943	20.3%	850	3.4%
Marketing and promotion	27,786	24.1%	22,371	18.2%	5,415	24.2%
Restructuring and other special charges	(116)	-0.1%		0.0%	(116)	NA
Total operating expenses	98,286	85.1%	101,726	82.7%	(3,440)	(3.4)%
<b>Operating income</b>	\$ 17,169	14.9%	\$ 21,434	17.3%	\$ (4,265)	(19.9)%

Our Careers-North America segment revenue decreased \$7.7 million, or 6.3%, in the third quarter of 2012 compared to the same period of 2011, due to a reduction of revenue from our enterprise, ecommerce, and government customers, partially offset by increased business activity with our newspaper and staffing customers. Bookings in our Careers-North America decreased 8.2% in the third quarter of 2012 primarily relating to decreases in our government sector as the third quarter of 2011 included unprecedented growth in the government sector as a result of the budget impasse in the summer of 2011.

Salary and related expenses decreased \$9.6 million, or 17.6%, in the third quarter of 2012 compared to the same period of 2011. This decrease in salaries and related expenses resulted primarily from \$4.2 million of decreased regular salary costs as a result of our restructuring programs, \$3.0 million of decreased variable compensation costs for the Company's sales force resulting from decreased booking activity as well as \$2.1 million of decreased stock-based compensation.

Office and general expenses increased \$0.9 million, or 3.4%, in the third quarter of 2012 compared to the same period of 2011. This increase in office and general expenses resulted from \$1.1 million of increased travel and related costs primarily related to our evaluation of strategic alternatives and our 2012 sales conference as well as \$0.4 million of increased consulting costs, partially offset by \$0.4 million of decreased occupancy costs.

Marketing and promotion expenses increased \$5.4 million, or 24.2%, in the third quarter of 2012 compared to the same period of 2011. This increase in marketing and promotion expenses resulted primarily from our continuing focus and investment in online marketing in North America, which has had a significant positive impact on seeker traffic levels.

In the third quarter of 2012, we reduced the previously estimated restructuring and other special charges by \$0.1 million.

Our Careers-North America operating income was \$17.2 million in the third quarter of 2012, compared to operating income of \$21.4 million in the third quarter of 2011, as a result of the factors described above.

### Careers-International

The operating results of our Careers-International segment for the three months ended September 30, 2012 and 2011 excluding operating results of our business held for sale are as follows:

(dollars in thousands)	Three months ended September 30,					
	2012	% of 2012 Revenue	2011	% of 2011 Revenue	Increase (Decrease)	% Increase (Decrease)

Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

<b>Revenue</b>	\$ 87,451	100.0%	\$ 103,623	100.0%	\$ (16,172)	(15.6)%
Salaries and related	41,034	46.9%	49,640	47.9%	(8,606)	(17.3)%
Office and general	27,102	31.0%	20,508	19.8%	6,594	32.2%
Marketing and promotion	14,773	16.9%	17,327	16.7%	(2,554)	(14.7)%
Restructuring and other special charges	418	0.5%	323	0.3%	95	29.4%
Total operating expenses	83,327	95.3%	87,798	84.7%	(4,471)	(5.1)%
<b>Operating income</b>	\$ 4,124	4.7%	\$ 15,825	15.3%	\$ (11,701)	(73.9)%

## Table of Contents

Our Careers-International segment revenue decreased \$16.2 million, or 15.6%, in the third quarter of 2012 compared to the same period of 2011 (in constant currency, our Careers-International revenue decreased 7.1% compared to the same period of 2011), with decreases in most of our international operations as we continue to see significant weakness in Europe and Asia. Our Careers-International segment experienced a bookings decrease of approximately 23.9% (in constant currency, our bookings would have decreased 16.6% compared to the same period of 2011). Bookings in Europe decreased 26.5% (in constant currency, our bookings would have decreased 19.8% compared to the same period of 2011), primarily resulting from decreases in most countries in Europe due to the continued weak and uncertain economic environment. Bookings in Asia decreased 16.8% (in constant currency, our bookings would have decreased 8.0% compared to the same period of 2011), primarily resulting from decreases in Korea.

Salary and related expenses decreased \$8.6 million, or 17.3%, in the third quarter of 2012 compared to the same period of 2011, which includes \$4.2 million of favorable foreign exchange impact. This decrease in salaries and related expenses resulted primarily from \$2.4 million of decreased regular salary costs as a result of our restructuring programs, \$2.0 million of decreased stock-based compensation and \$1.0 million of decreased associate incentive programs.

Office and general expenses increased \$6.6 million, or 32.2%, in the third quarter of 2012 compared to the same period of 2011, which includes \$1.3 million of favorable foreign exchange impact. This increase in office and general expenses resulted primarily from increased professional fees in the UK related to our government services.

Marketing and promotion expenses decreased \$2.6 million, or 14.7%, in the third quarter of 2012 compared to the same period of 2011, which includes \$1.6 million of favorable foreign exchange impact. This decrease in marketing and promotion expenses resulted primarily from our focus on cost containment during the current economic turmoil in the international markets.

In the third quarter of 2012, we incurred \$0.4 million of restructuring and other special charges, relating to severance costs.

Our Careers-International operating income was \$4.1 million in the third quarter of 2012, compared to operating income of \$15.8 million in the third quarter of 2011, as a result of the factors discussed above.

## Internet Advertising & Fees

The operating results of our Internet Advertising & Fees segment for the three months ended September 30, 2012 and 2011 are as follows:

(dollars in thousands)	Three months ended September 30,					
	2012	% of 2012 Revenue	2011	% of 2011 Revenue	Increase (Decrease)	% Increase (Decrease)
<b>Revenue</b>	\$ 18,804	100.0%	\$ 21,797	100.0%	\$ (2,993)	(13.7)%
Salaries and related	7,672	40.8%	11,412	52.3%	(3,740)	(32.8)%
Office and general	4,282	22.8%	6,445	29.6%	(2,163)	(33.6)%
Marketing and promotion	1,852	9.8%	1,864	8.6%	(12)	(0.6)%
Restructuring and other special charges	8	0.0%	1,681	7.7%	(1,673)	(99.5)%
Total operating expenses	13,814	73.4%	21,402	98.2%	(7,588)	(35.5)%
<b>Operating income</b>	\$ 4,990	26.6%	\$ 395	1.8%	\$ 4,595	1163.3%

Revenue in our Internet Advertising & Fees segment decreased \$3.0 million, or 13.7%, in the third quarter of 2012 compared to the same period of 2011. This decrease resulted primarily from the Company focusing on higher margin lead generation and advertising business activities as demonstrated by our operating margins in the third quarter of 2012.

Operating expenses decreased \$7.6 million, or 35.5%, in the third quarter of 2012 compared to the same period in 2011. This decrease in operating expenses resulted primarily from a \$2.5 million decrease in regular salary costs as a result of our restructuring programs as well as a \$2.0 million decrease in office and general expenses.

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

In the third quarter of 2012, we incurred a nominal amount of restructuring and other special charges compared to the third quarter of 2011, which included restructuring charges associated with the Company's decision to no longer engage in the arbitrage lead generation business.

Our Internet Advertising & Fees operating income was \$5.0 million in the third quarter of 2012, compared to operating income of \$0.4 million in the third quarter of 2011, as a result of the factors discussed above.

**Table of Contents*****Interest and Other, net***

Interest and other, net, for the three months ended September 30, 2012 and 2011 resulted in an expense of \$1.5 million and \$1.4 million, respectively. Interest and other, net, primarily relates to interest expense on the Company's outstanding debt, interest income associated with the Company's various investments, foreign currency gains or losses and gains or losses related to the Company's auction rate securities.

***Income Taxes***

For continuing operations, income taxes for the three months ended September 30, 2012 and 2011 are as follows:

(dollars in thousands)	2012	2011	\$ Change	% Change
Income before income taxes	\$ 13,098	\$ 27,729	(14,631)	(52.8)%
Income taxes expense (benefit)	(26,162)	8,813	(34,975)	n/a
Effective tax rate	n/a	31.8%		

The provision for income taxes consists of provisions for federal, state and foreign income taxes. The Company operates globally with operations in various tax jurisdictions outside of the United States. Accordingly, the effective income tax rate is a composite rate reflecting the geographic mix of earnings in various tax jurisdictions and the applicable rates. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates, increases in recorded valuation allowances on our deferred tax assets, or changes in tax laws or interpretations thereof.

Our effective tax rate differs from the federal United States statutory tax rate of 35% due to accrual of state taxes, non-deductible expenses, and foreign earnings taxed at different rates, accrual of interest on tax liabilities, effects of United States residual tax on earnings that are not permanently reinvested and the effects of valuation allowances. As a result of settlements and adjustments to estimated tax liabilities in the three months ended September 30, 2012, the Company recognized \$38.3 million of previously unrecognized tax benefits, which on a net of tax basis impacted the effective tax rate by \$29.2 million. The Company also reversed accrued interest related to unrecognized tax benefits of \$8.4 million which on a net of tax basis impacted the effective tax rate by \$5.1 million. The total benefit reflected in the third quarter of 2012 income tax provision due to reversals of tax and interest was \$34.3 million. These benefits were partially offset by the effect of valuation allowances, additional uncertain tax positions and accruals of interest on tax liabilities.

Due to the release of escrowed funds in the amount of \$17.4 million associated with the Careers-China acquisition (see Note 5, *Business Combinations* in Notes to the Consolidated Financial Statements in Part I of this Form 10-Q) during the three months ended September 30, 2011, which was reclassified to business held for sale for the three and nine months ended September 30, 2012 and 2011 (see note 11 *Discontinued Operations* in Notes to the Consolidated Financial Statements in Part I of this Form 10-Q), is not included in net income for tax purposes since it is considered a non-taxable litigation settlement and is treated as reduction of purchase price of acquired stock and as such decreased the Company's overall effective tax rate.

The Company is currently under examination by several domestic and international tax authorities. Presently, no material adjustments have been proposed. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. The gross recorded liability for uncertain tax positions (inclusive of estimated interest and penalties thereon) at September 30, 2012 and December 31, 2011 is recorded on the Company's consolidated balance sheet as long-term income taxes payable of \$61.6 million and \$94.8 million, respectively. Interest and penalties related to underpayment of income taxes are classified as a component of income tax expense in the consolidated statements of operations and comprehensive income (loss). The Company estimates that it is reasonably possible that unrecorded tax benefits may be reduced by as much as zero to \$15.0 million in the next twelve months due to expirations of statutes of limitations or settlement of tax examinations. The tax matters concerned relate to the allocation of income among jurisdictions and the characterization of certain intercompany loans.

***Loss in Equity Interests, Net***

Loss in equity interests, net, for the three months ended September 30, 2012 and 2011 was \$0.3 million and \$0.4 million, respectively. The Company's equity investments consist of a 50% equity interest in a company located in Australia and a 25% equity interest in a company located in Finland.

***Income from continuing operations***

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

As a result of the factors discussed above, our consolidated net income from continuing operations was \$39.0 million in the third quarter of 2012, compared to net income of \$18.5 million in the third quarter of 2011.



## Table of Contents

### *Loss from discontinued operations, net of tax*

In the third quarter of 2012, the Company made the decision to sell its Careers-China business. For the three months ended September 30, 2012 and 2011, the Company reported a loss from discontinued operations, net of tax, of \$233.2 million and a gain, net of taxes, of \$13.3 million, respectively. The third quarter of 2012 results included a \$216.2 million goodwill impairment charge as well as a \$9.1 million charge related to the recording of a full valuation allowance associated with Careers-China deferred tax assets. The third quarter of 2011 results included a gain of \$17.4 million relating to the release of escrowed funds associated with the ChinaHR acquisition.

### *Net (Loss) Income*

Our consolidated net loss was \$194.2 million in the third quarter of 2012, compared to net income of \$31.8 million in the third quarter of 2011, as a result of the factors discussed above.

### *Diluted Income Per Share*

Diluted loss per share in the third quarter of 2012 was \$1.75 compared to diluted income per share of \$0.26 in the third quarter of 2011. Diluted weighted average shares outstanding for the three months ended September 30, 2012 was 112.2 million shares. Diluted weighted average shares outstanding for the three months ended September 30, 2011 was 124.0 million shares. During the three months ended September 30, 2012, the Company repurchased 1.1 million shares as part of its previously announced share repurchase program and has purchases 14.0 million shares since the share repurchase program was initiated in the fourth quarter of 2011.

### *The Nine months ended September 30, 2012 Compared to the Nine months ended September 30, 2011*

#### *Consolidated Revenue, Operating Expenses and Operating Income*

Consolidated revenue, operating expenses and operating income for the nine months ended September 30, 2012 and 2011, excluding the results of our business held for sale, are as follows:

(dollars in thousands)	Nine Months Ended September 30,					
	2012	% of 2012	2011	% of 2011	Increase	% Increase
Revenue	\$ 681,971	100.0%	\$ 761,241	100.0%	\$ (79,270)	(10.4)%
Salaries and related	317,117	46.5%	379,833	49.9%	(62,716)	(16.5)%
Office and general	173,222	25.4%	174,652	22.9%	(1,430)	(0.8)%
Marketing and promotion	148,517	21.8%	150,582	19.8%	(2,065)	(1.4)%
Restructuring and other special charges	25,678	3.8%	2,004	0.3%	23,674	1181.3%
Recovery of restitution award from former executive	(5,350)	-0.8%		0.0%	(5,350)	NA
Total operating expenses	659,184	96.7%	707,071	92.9%	(47,887)	(6.8)%
Operating income	\$ 22,787	3.3%	\$ 54,170	7.1%	\$ (31,383)	(57.9)%

Our consolidated revenue decreased \$79.3 million, or 10.4%, in the first nine months of 2012 compared to the same period of 2011. In constant currency, our consolidated revenue decreased 7.5% compared to the same period of 2011. Our Internet Advertising & Fees revenue decreased \$30.8 million or 34.8% for the same period. This decrease was primarily attributable to the Company, as of the beginning of the third quarter of 2011, no longer engaging in arbitrage lead generation activities due to the lack of profitability in such business and in light of new regulations. Excluding the arbitrage lead generation activities in 2011, our consolidated revenue decreased 7.7% and on a constant currency basis decreased 4.7%. Our Careers-International segment decreased \$33.1 million or 10.8% (on a constant currency basis, our Careers-International revenue decreased by 3.7%), primarily due to decreases within most countries in Europe and in Korea partially offset by an increase in India. Our Careers-North America segment experienced a \$15.3 million or 4.2% decrease mainly due to decreased revenue from our enterprise, ecommerce and staffing customers, partially offset by increased business activity from our newspaper and staffing sectors. These decreases in our consolidated Careers segments were primarily due to the deceleration of booking activity beginning in the fourth quarter of 2011 and continuing in 2012, which the Company believes results from the increased global economic uncertainty.

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

Salary and related expenses decreased \$62.7 million, or 16.5%, in the first nine months of 2012 compared to the same period of 2011, which includes \$10.9 million of favorable foreign exchange. This decrease in salaries and related expenses resulted primarily from decreased regular salary costs as a result of our restructuring programs as well as no longer engaging in arbitrage lead generation activities, decreased stock-based compensation, decreased associate incentive programs as well as decreased variable compensation costs for the Company's sales force resulting from decreased booking activity.

## Table of Contents

Office and general expenses decreased \$1.4 million, or 0.8%, in the first nine months of 2012 compared to the same period of 2011, which includes \$3.8 million of favorable foreign exchange impact. This decrease in office and general expenses resulted primarily from decreased occupancy costs in 2012 relating to charges recorded in the first quarter of 2011 for changes in estimated sublease assumptions for previously exited facilities, partially offset by increased professional fees in the UK related to our government services sector as well as fees associated with Company's plan to evaluate strategic alternatives.

Marketing and promotion expenses decreased \$2.1 million, or 1.4%, in the first nine months of 2012 compared to the same period of 2011, which includes \$4.7 million of favorable foreign exchange impact. The relatively flat spending in 2012 compared to 2011 related to decreased marketing and promotion expenses in 2012 in our Internet Advertising & Fees segment resulting from the Company, beginning in the third quarter of 2011, no longer engaging in arbitrage lead generation activities offset by increased investment in the United States to drive seeker traffic.

In the first nine months of 2012, we incurred \$25.7 million of restructuring and other special charges, comprised mainly of severance costs, facility charges and the impairment of certain assets as a result of our restructuring program which was announced in January 2012.

In the first quarter of 2012, the Company recorded \$5.4 million from the United States Department of Justice (DOJ) for partial restitution of damages caused to the Company in connection with the Company's historical stock option granting practices of which the Company's former Chief Operating Officer had been convicted of securities fraud in May 2009. This amount had been previously remitted to the DOJ by the Company's former Chief Operating Officer as a civil forfeiture to the United States federal government.

Our consolidated operating income from continuing operations was \$22.8 million in the first nine months of 2012, compared to operating income of \$54.2 million in the first nine months of 2011, as a result of the factors discussed above.

### Careers-North America

The operating results of our Careers-North America segment for the nine months ended September 30, 2012 and 2011 are as follows:

(dollars in thousands)	Nine Months Ended September 30,					
	2012	% of 2012	2011	% of 2011	Increase	% Increase
<b>Revenue</b>	\$ 351,418	100.0%	\$ 366,757	100.0%	\$ (15,339)	(4.2)%
Salaries and related	140,262	39.9%	164,738	44.9%	(24,476)	(14.9)%
Office and general	77,817	22.1%	74,581	20.3%	3,236	4.3%
Marketing and promotion	83,847	23.9%	73,013	19.9%	10,834	14.8%
Restructuring and other special charges	14,213	4.0%		0.0%	14,213	NA
Total operating expenses	316,139	89.9%	312,332	85.1%	3,807	1.2%
<b>Operating income</b>	\$ 35,279	10.1%	\$ 54,425	14.9%	\$ (19,146)	(35.2)%

Revenue in our Careers-North America segment decreased \$15.3 million, or 4.2%, in the first nine months of 2012 compared to the same period of 2011, due to a reduction of revenue from our enterprise, ecommerce and staffing customers, partially offset by increased business activity from our newspaper and staffing sectors.

Salary and related expenses decreased \$24.5 million, or 14.9%, in the first nine months of 2012 compared to the same period of 2011. This decrease in salaries and related expenses resulted primarily from \$7.7 million of decreased regular salary costs as a result of our restructuring programs, \$6.7 million of decreased stock-based compensation, \$6.9 million of decreased variable compensation costs for the Company's sales force resulting from decreased booking activity as well as \$3.2 million of decreased associate incentive programs.

Office and general expenses increased \$3.3 million, or 4.3%, in the first nine months of 2012 compared to the same period of 2011. This increase in office and general expenses resulted from \$2.6 million of increased travel and related costs primarily related to our evaluation of strategic alternatives and our 2012 sales conference as well as \$1.6 million increased consulting costs.

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

Marketing and promotion expenses increased \$10.8 million, or 14.8%, in the first nine months of 2012 compared to the same period of 2011. This increase in marketing and promotion expenses resulted primarily from our focus and investment in increasing seeker traffic in the United States.

In the first nine months of 2012, we incurred \$14.2 million of restructuring and other special charges, comprised mainly of severance costs, facility charges and the impairment of certain assets as a result of our restructuring programs.

Our Careers-North America operating income was \$35.3 million in the first nine months of 2012, compared to operating income of \$54.4 million in the first nine months of 2011, as a result of the factors described above.

## Table of Contents

### Careers-International

The operating results of our Careers-International segment for the nine months ended September 30, 2012 and 2011 excluding operating results of our business held for sale are as follows:

(dollars in thousands)	Nine Months Ended September 30,					
	2012	% of 2012	2011	% of 2011	Increase	% Increase
<b>Revenue</b>	\$ 272,825	100.0%	\$ 305,918	100.0%	\$ (33,093)	(10.8)%
Salaries and related	129,951	47.6%	153,040	50.0%	(23,089)	(15.1)%
Office and general	69,590	25.5%	63,338	20.7%	6,252	9.9%
Marketing and promotion	57,595	21.1%	51,135	16.7%	6,460	12.6%
Restructuring and other special charges	9,282	3.4%	323	0.1%	8,959	2773.7%
Total operating expenses	266,418	97.7%	267,836	87.6%	(1,418)	(0.5)%
<b>Operating income</b>	\$ 6,407	2.3%	\$ 38,082	12.4%	\$ (31,675)	(83.2)%

Our Careers-International segment decreased \$33.1 million or 10.8% (3.7% in constant currency, our Careers-International revenue), with decreases in most of our international operations as the global economic slowdown continues to impact our bookings and revenues.

Salary and related expenses decreased \$23.1 million, or 15.1%, in the first nine months of 2012 compared to the same period of 2011, which includes \$10.0 million of favorable foreign exchange impact. This decrease in salaries and related expenses resulted primarily from \$5.7 million of decreased stock-based compensation, \$3.6 million of decreased costs relating to associate incentive programs as well as \$2.8 million of decreased variable compensation costs for the Company's sales force resulting from decreased booking activity.

Office and general expenses increased \$6.3 million, or 9.9%, in the first nine months of 2012 compared to the same period of 2011, which includes \$3.2 million of favorable foreign exchange impact. This increase in office and general expenses resulted primarily from increased professional fees in the UK related to our government services partially offset by decreased occupancy costs.

Marketing and promotion expenses increased \$6.5 million, or 12.6%, in the first nine months of 2012 compared to the same period of 2011, which includes \$4.6 million of favorable foreign exchange impact. This increase in marketing and promotion expenses resulted primarily from our focus on brand awareness in Europe and Asia, primarily in the first half of 2012.

In the first nine months of 2012, we incurred \$9.3 million of restructuring and other special charges, comprised mainly of severance costs as a result of our restructuring program announced in January 2012.

Our Careers-International operating income was \$6.4 million in the first nine months of 2012, compared to operating income of \$38.1 million in the first nine months of 2011, as a result of the factors discussed above.

### Internet Advertising & Fees

The operating results of our Internet Advertising & Fees segment for the nine months ended September 30, 2012 and 2011 are as follows:

(dollars in thousands)	Nine Months Ended September 30,					
	2012	% of 2012	2011	% of 2011	Increase	% Increase
<b>Revenue</b>	\$ 57,728	100.0%	\$ 88,566	100.0%	\$ (30,838)	(34.8)%
Salaries and related	24,595	42.6%	38,176	43.1%	(13,581)	(35.6)%
Office and general	12,944	22.4%	20,077	22.7%	(7,133)	(35.5)%

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

Marketing and promotion	5,458	9.5%	24,872	28.1%	(19,414)	(78.1)%
Restructuring and other special charges	1,166	2.0%	1,681	1.9%	(515)	(30.6)%
Total operating expenses	44,163	76.5%	84,806	95.8%	(40,643)	(47.9)%
<b>Operating income</b>	<b>\$ 13,565</b>	<b>23.5%</b>	<b>\$ 3,760</b>	<b>4.2%</b>	<b>\$ 9,805</b>	<b>260.8%</b>

Our Internet Advertising & Fees revenue decreased \$30.8 million or 34.8% in the first nine months of 2012. This decrease was primarily attributable to the Company, as of the beginning of the third quarter of 2011, no longer engaging in arbitrage lead generation activities due to the lack of profitability in such business and in light of new regulations.

## Table of Contents

Operating expenses decreased \$40.6 million, or 47.9%, in the third quarter of 2012 compared to the same period in 2011. This decrease in operating expenses resulted primarily from the Company no longer engaging in the arbitrage lead generation business partially offset by \$1.2 million of restructuring charges.

Our Internet Advertising & Fees operating income was \$13.6 million in the first nine months of 2012, compared to operating income of \$3.8 million in the first nine months of 2011, as a result of the factors discussed above.

### Interest and Other, net

Interest and other, net, for the nine months ended September 30, 2012 and 2011 resulted in an expense of \$4.2 million and \$2.4 million, respectively. Interest and other, net, primarily relates to interest expense on the Company's outstanding debt, interest income associated with the Company's various investments, foreign currency gains or losses and gains or losses related to the Company's auction rate securities. The increased expense in interest and other, net, of \$1.8 million resulted primarily from 2011 including gains on auction rate securities as well as higher net interest expense in the first nine months of 2012 primarily relating to higher amounts outstanding on our credit facilities.

### Income Taxes

Income taxes for the nine months ended September 30, 2012 and 2011 are as follows:

(dollars in thousands)	2012	2011	\$ Change	% Change
Income before income taxes	\$ 18,615	\$ 51,743	(33,128)	(64.0)%
Income taxes expense (benefit)	(39,122)	16,132	(55,254)	n/a
Effective tax rate	n/a	31.2%		

The provision for income taxes consists of provisions for federal, state and foreign income taxes. The Company operates globally with operations in various tax jurisdictions outside of the United States. Accordingly, the effective income tax rate is a composite rate reflecting the geographic mix of earnings in various tax jurisdictions and the applicable rates. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates, increases in recorded valuation allowances on our deferred tax assets, or changes in tax laws or interpretations thereof.

Our effective tax rate differs from the federal United States statutory tax rate of 35% due to accrual of state taxes, non-deductible expenses, foreign earnings taxed at different rates, accrual of interest on tax liabilities, accrual of United States residual tax on earnings that are not permanently reinvested and the effect of valuation allowances. The tax benefit for the nine months ended September 30, 2012 was increased by \$45.8 million of discrete items, consisting primarily of \$19.3 million of a tax benefit related to certain tax losses arising from the Company's restructuring. In addition, as a result of settlements and adjustments to estimated tax liabilities in the nine months ended September 30, 2012, the Company recognized \$39.3 million of previously unrecognized tax benefits, which on a net of tax basis impacted the effective tax rate by \$29.9 million. The Company also reversed accrued interest related to unrecognized tax benefits of \$9.3 million, which on a net of tax basis impacted the effective tax rate by \$5.6 million. The total benefit reflected in the first nine months of 2012 income tax provision due to reversals of tax and interest was \$35.6 million. These benefits were partially offset by the effect of valuation allowances, uncertain tax positions and accruals of interest on tax liabilities.

Due to the release of escrowed funds in the amount of \$17.4 million associated with the Careers-China acquisition (see Note 5, *Business Combinations* in Notes to the Consolidated Financial Statements in Part I of this Form 10-Q) during the three months ended September 30, 2011, which was reclassified to business held for sale for the three and nine months ended September 30, 2012 and 2011 (see Note 11, *Discontinued Operations* in Notes to the Consolidated Financial Statements in Part I of this Form 10-Q), is not included in net income for tax purposes since it is considered a non-taxable litigation settlement and is treated as reduction of purchase price of acquired stock and as such decreased the Company's overall effective tax rate.

**Table of Contents**

The Company is currently under examination by several domestic and international tax authorities. Presently, no material adjustments have been proposed. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. The gross recorded liability for uncertain tax positions (inclusive of estimated interest and penalties thereon) as of September 30, 2012 and December 31, 2011 is recorded on the Company's consolidated balance sheet as long-term income taxes payable of \$61.6 million and \$94.8 million, respectively. Interest and penalties related to underpayment of income taxes are classified as a component of income tax expense in the consolidated statements of operations and comprehensive income (loss). The Company estimates that it is reasonably possible that unrecorded tax benefits may be reduced by as much as zero to \$15.0 million in the next twelve months due to expirations of statutes of limitations or settlement of tax examinations. The tax matters concerned relate to the allocation of income among jurisdictions and the characterization of certain intercompany loans.

***Loss in Equity Interests, Net***

Loss in equity interests, net, for the nine months ended September 30, 2012 and 2011 was \$0.7 million and \$1.0 million, respectively. The Company's equity investments consist of a 50% equity interest in a company located in Australia and a 25% equity interest in a company located in Finland.

***Income from continuing operations***

As a result of the factors discussed above, our consolidated net income from continuing operations was \$57.0 million in the nine months ended September 30, 2012, compared to net income of \$34.6 million for the same period in 2011.

***(Loss) income from discontinued operations, net of tax***

In the third quarter of 2012, the Company made the decision to sell its Careers-China business. For the nine months ended September 30, 2012 and 2011, the Company reported a loss from discontinued operations, net of tax, of \$242.7 million and a gain, net of taxes, of \$8.3 million, respectively. The third quarter of 2012 results included a \$216.2 million goodwill impairment charge as well as a \$9.1 million charge related to a full valuation allowance on the Careers-China deferred tax assets. The third quarter of 2011 results included a gain of \$17.4 million relating to the release of escrowed funds associated with the ChinaHR acquisition.

***Net (Loss) Income***

As a result of the factors discussed above, our consolidated loss for the nine months ended September 30, 2012 was \$185.7 compared to consolidated net income of \$42.9 million for the same period in 2011.

***Diluted Income Per Share***

Diluted loss per share in the first nine months of 2012 was \$1.64 compared to diluted income per share of \$.34 in the first nine months of 2011. Diluted weighted average shares outstanding for the nine months ended September 30, 2012 and 2011 was 114.6 million shares and 124.3 million shares, respectively. During the nine months ended September 30, 2012, the Company repurchased 8.5 million shares as part of its previously announced share repurchase program and has purchases 14.0 million shares since the share repurchase program was initiated in the fourth quarter of 2011.

**Financial Condition**

The following tables detail our cash and cash equivalents:

(dollars in thousands)	September 30, 2012	December 31, 2011	Change \$	%
Cash and cash equivalents	\$ 175,103	\$ 250,317	\$ (75,214)	(30.0)%
Percentage of total assets	10.1%	12.2%		



## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

As of September 30, 2012, we had cash and cash equivalents of \$175.1 million, compared to \$250.3 million as of December 31, 2011. Our decrease in cash and cash equivalents of \$75.2 million in the first nine months of 2012 primarily resulted from \$65.6 million of common stock repurchases and \$46.9 million of capital expenditures partially offset by \$35.8 million provided by operating activities.

**Table of Contents****Cash Flows**

Consolidated cash flows for the nine months ended September 30, 2012 and 2011 are as follows:

(dollars in thousands)	September 30, 2012	September 30, 2011	Change \$	%
Cash provided by operating activities	\$ 35,838	\$ 125,015	\$ (89,177)	(71.3)%
Cash used for investing activities	(48,251)	(45,817)	(2,434)	5.3%
Cash (used for) provided by financing activities	(66,565)	81,372	(147,937)	(181.8)%
Effect of exchange rates on cash	3,764	(1,938)	5,702	(294.2)%

Cash provided by operating activities was \$35.8 million for the nine months ended September 30, 2012, a decrease of \$89.2 million from the \$125.1 million of cash provided by operating activities for the nine months ended September 30, 2011. This decrease resulted primarily from reduced cash flows of \$31.0 million relating to working capital items, driven by changes in accounts receivable and accounts payable, accrued expenses and other, as well as reduced net income in 2012 compared to 2011.

Cash used for investing activities was \$48.3 million for the nine months ended September 30, 2012, an increase of \$2.4 million from cash used for investing activities of \$45.8 million for the nine months ended September 30, 2011. This increase resulted primarily from \$1.5 million of increased capital expenditures in 2012.

Cash used for financing activities was \$66.6 million for the nine months ended September 30, 2012, an increase of \$147.9 million from cash provided by financing activities of \$81.4 million for the nine months ended September 30, 2011. This increase resulted primarily from \$65.6 million used for common stock repurchases as well as \$91.2 million of less proceeds in 2012 from our credit facilities and term note.

**Liquidity and Capital Resources**

Our principal capital requirements have been to fund (i) working capital, (ii) marketing and development of our Monster network, (iii) acquisitions, (iv) capital expenditures and (v) share repurchases.

Historically, we have relied on funds provided by operating activities, equity offerings, short and long-term borrowings and seller-financed notes to meet our liquidity needs. We invest our excess cash predominantly in bank time deposits and commercial paper that matures within three months of its origination date. Due to the turmoil in the financial markets, we have redeployed our excess cash during 2010, 2011 and the first nine months of 2012 in conservative investment vehicles such as money market funds that invest solely in U.S. treasuries, top foreign sovereign regional, national and supra-national bank debt obligations and bank deposits at prime money center banks. We actively monitor the third-party depository institutions that hold our cash and cash equivalents. Our emphasis is primarily on safety of principal while secondarily on maximizing yield on those funds. We can provide no assurances that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

At any point in time we have funds in our operating accounts and customer accounts that are with third party financial institutions. These balances in the United States may exceed the Federal Deposit Insurance Corporation insurance limits. While we monitor the cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions fail or could be subject to other adverse conditions in the financial markets.

We believe that our current cash and cash equivalents, revolving credit facilities and cash we anticipate generating from operating activities will provide us with sufficient liquidity to satisfy our working capital needs, capital expenditures and meet our investment requirements and commitments through at least the next twelve months. Our cash generated from operating activities is subject to fluctuations in the global economy and overall hiring demand.

**Credit Facilities**

In December 2007, the Company entered into a senior unsecured revolving credit facility that provided for maximum borrowings of \$250 million, including up to a \$50 million sublimit for letters of credit. On August 31, 2009, with the objective of availing itself of the benefits of an improved credit market in an ongoing unstable macroeconomic environment, the Company amended certain terms and increased its borrowing capability under its existing credit agreement (the First Amended Credit Agreement). The First Amended Credit Agreement maintained the Company's existing \$250 million revolving credit facility and provided for a new \$50 million term loan facility, for a total of \$300 million in

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

credit available to the Company. On March 22, 2012, the First Amended Credit Agreement was further amended and restated in its entirety (the Second Amended Credit Agreement ). The Second Amended Credit Agreement provides the Company with a \$225 million revolving credit facility and a \$100 million term loan facility, providing for a total of \$325 million in credit available to the Company. The borrowings under the Second Amended Credit Agreement were used to satisfy the obligations under the First Amended Credit Agreement of \$172.5 million for the revolving credit facility and \$40 million for the term loan. The revolving credit facility and the term loan facility each mature on March 22, 2015. The Second Amended Credit Agreement does not qualify as a debt extinguishment in accordance with ASC 470 *Debt*, and all financing fees incurred will be deferred and amortized through March 2015. The Company is required to make quarterly amortization payments on the outstanding principal amount of the term loan with \$1.3 million payable on each of December 31, 2012 and March 31, 2013, \$1.9 payable on each of June 30, 2013, September 30, 2013, December 31, 2013, and March 31, 2014, \$2.5 million payable on each of June 30, 2014, September 30, 2014, and December 31, 2014 and the remaining balance of the term loan due at maturity.

## **Table of Contents**

Borrowings under the Second Amended Credit Agreement will bear interest at a rate equal to either (i) the British Bankers Association LIBOR ( BBA LIBOR ) Rate plus a margin ranging from 250 basis points to 325 basis points depending on the Company's consolidated leverage ratio or (ii) the sum of (A) the highest of (1) the agent's prime rate, (2) the sum of 0.50% plus the overnight federal funds rate on such day or (3) the BBA LIBOR plus 1.0%, and (B) a margin ranging from 150 basis points to 225 basis points depending on the Company's consolidated leverage ratio. In addition, the Company will be required to pay the following fees: (i) a fee on all outstanding amounts of letters of credit at a rate per annum ranging from 250 basis points to 325 basis points (depending on the consolidated leverage ratio); and (ii) a commitment fee on the unused portion of the revolving credit facility at a rate per annum ranging from 35 basis points to 50 basis (depending on the consolidated leverage ratio). The Company may repay outstanding borrowings at any time during the term of the credit facility without any prepayment penalty.

The Second Amended Credit Agreement contains financial covenants requiring the Company to maintain: (i) a consolidated leverage ratio of no more than 3.00 to 1.00; and (ii) an interest charge coverage ratio of at least 3.00 to 1.00. The Second Amended Credit Agreement also contains various other negative covenants, including restrictions on incurring indebtedness, creating liens, mergers, dispositions of property, dividends and stock repurchases, acquisitions and other investments and entering into new lines of business. The Second Amended Credit Agreement also contains various affirmative covenants, including covenants relating to the delivery of financial statements and other financial information, maintenance of property, maintenance of insurance, maintenance of books and records and compliance with environmental laws. As of September 30, 2012, the Company was in full compliance with its covenants.

At September 30, 2012, the utilized portion of this credit facility was \$97.5 million in borrowings on the term loan facility, \$90.5 million of borrowings on the revolving credit facility, and \$6.4 million in outstanding letters of credit. The portion of the term loan that is due within one year is \$6.3 million and is classified as short-term in the consolidated balance sheet. The remaining amount outstanding on the term loan and the utilized portion of the revolving credit facility is classified as long-term in the consolidated balance sheet. As of September 30, 2012, based on the calculation of the maximum consolidated leverage ratio, \$128.1 million of the Company's revolving credit facility was available. At September 30, 2012, the one month BBA LIBOR rate, the agent's prime rate, and the overnight federal funds rate were 0.21%, 3.25% and 0.09%, respectively. As of September 30, 2012, the Company used the one month BBA LIBOR rate for the interest rate on these borrowings with an interest rate of 2.72%.

In the second quarter of 2011, one of the Company's subsidiaries in China entered into a one-year unsecured uncommitted revolving credit facility, guaranteed by the Company, which provides for maximum borrowings of \$7.5 million. During the third quarter of 2011, the remaining subsidiaries in China guaranteed the unsecured uncommitted revolving credit facility. The expiration date has been extended to March 1, 2013 and each of the Company's three subsidiaries in China may now borrow under this revolving credit facility. The lender has the right to terminate the revolving credit facility at any time and demand immediate payment. The Company may prepay outstanding borrowings and accrued interest under the revolving credit facility only with the consent of the lender. The Company is obligated to indemnify the lender for any costs and losses incurred by the lender as a result of such prepayment. The revolving credit facility contains covenants which include obtaining, complying and maintaining all verifications, authorizations, approvals, registrations, licenses and consents required by local law to perform its obligations to the lender under the agent agreement, notifying the lender forthwith of the occurrence of any event that may affect the Company's ability to perform any of its obligations under the credit agreement and using the revolving credit facility for financing its working capital requirements. As of September 30, 2012, the Company was in full compliance with its covenants. As of September 30, 2012, the interest rate on these borrowings was 6.25%, the utilized portion was \$5.6 million, which is classified as short-term in the consolidated balance sheet as of September 30, 2012, and \$1.9 million was available to be utilized by the Company.

In the second quarter of 2012, one of the Company's subsidiaries in China entered into an additional one-year uncommitted revolving credit facility, secured by a standby letter of credit, which provides for maximum borrowings of \$5.0 million. The lender has the right to terminate this facility at any time and demand immediate payment. The Company may prepay outstanding borrowings and accrued interest under this facility only with the consent of the lender. The Company is obligated to indemnify the lender for any costs and losses incurred by the lender as a result of such prepayment. This facility contains covenants which include obtaining, complying and maintaining all verifications, authorizations, approvals, registrations, licenses and consents required from the borrower by local law to perform its obligations to the lender under the loan agreement, notifying the lender forthwith of the occurrence of any event that may affect the Company's ability to perform any of its obligations under the loan agreement and using this facility for financing its working capital requirements. As of September 30, 2012, the Company was in full compliance with its covenants. As of September 30, 2012, the interest rate on these borrowings was 6.02%, the utilized portion was \$2.3 million, which is classified as short-term in the consolidated balance sheet as of September 30, 2012, and \$2.7 million was available to be utilized by the Company.

## **Table of Contents**

### ***Income Taxes***

The Company has earned a significant portion of its income outside the United States, which the Company has asserted to be permanently reinvested in foreign operations. The Company evaluates its permanent reinvestment assertions each reporting period. In the fourth quarter of 2011, the Company changed its permanent reinvestment assertion with respect to its subsidiary in South Korea. This determination was made by reviewing investment opportunities and expected financing needs in South Korea and the United States as well as considering the tax cost of repatriating from South Korea. The Company repatriated approximately \$39.0 million from its subsidiary in South Korea during the second quarter of 2012. United States residual taxes have been provided on their unremitted earnings through September 30, 2012.

The amount of cash in subsidiaries offshore for which the Company maintains the permanent reinvestment assertion at September 30, 2012 was approximately \$157.0 million. While we have not determined the total United States and foreign tax liabilities on such repatriation, generally, if this cash were repatriated, a United States tax liability would be incurred for the excess of United States tax over local taxes paid, if any, on the portion characterized as a taxable dividend for United States tax purposes. Generally, a tax charge for U.S. residual tax would be recorded in the income tax provision in the quarter in which our permanent reinvestment assertions change. In addition to the cash expected from 2012 domestic operations, the Company intends to borrow from its credit facility in the United States should additional liquidity needs arise. We have borrowed funds domestically and continue to have the ability to borrow funds domestically at reasonable interest rates.

The Company has paid \$11.7 million of taxes in domestic state and international income taxes for the nine months ended September 30, 2012. We expect to utilize our tax loss carryovers to offset most domestic cash tax liability in 2012. We expect to have taxable income in certain domestic states and foreign tax jurisdictions in which we pay taxes on a quarterly basis.

### ***Restructuring Activities***

On January 24, 2012, the Company committed to take a series of strategic restructuring actions. The Company's decision to adopt the strategic restructuring actions resulted from the Company's desire to provide the Company with more flexibility to invest in marketing and sales activities in order to improve its long-term growth prospects and profitability. Through September 30, 2012, the Company has notified or terminated approximately 325 associates and approximately 60 associates have voluntarily left the Company, reducing the Company's workforce by approximately 385 associates. The reduction of the Company's workforce resulted in the consolidation of certain office facilities and the impairment of certain project related assets.

On November 8, 2012, the Company announced actions designed to concentrate resources on core businesses within North America and key European and Asian markets with increased spending in marketing and sales. In addition to our decision in the third quarter of 2012 to sell the Careers-China business, the Company will evaluate options in developing markets as well as implement additional cost reduction initiatives. We expect the estimated one-time costs of these actions to be approximately \$50.0 million-\$60.0 million, the majority of which will be cash and will be recorded as restructuring expenses primarily in the fourth quarter of 2012.

### ***Business Held for Sale***

During the third quarter of 2012, as part of the Company's review of strategic alternatives, the Company made the decision to sell its Careers-China business unit which was acquired in October 2008. The sale of the Careers-China business is expected to be completed during the next 12 months. Please see Note 10, *Goodwill* and Note 11, *Discontinued Operations* in Notes to the Consolidated Financial Statements in Part I of this Form 10-Q.

### ***Operating Lease Obligations***

We have recorded significant charges and accruals relating to terminating certain operating lease obligations before the end of their terms once the Company no longer derives economic benefit from the lease. The liability is recognized and measured at its fair value when we determine that the cease use date has occurred and the fair value of the liability is determined based on the remaining lease rentals due, reduced by estimated sublease rental income that could be reasonably obtained for the property. The estimate of subsequent sublease rental income may change and require future changes to the fair value of the liabilities for the lease obligations.

**Table of Contents****Share Repurchase Plan**

On October 25, 2011, the Board of Directors of the Company authorized a share repurchase program of up to \$250.0 million. Under the share repurchase program, shares of common stock may be purchased on the open market or through privately negotiated transactions from time-to-time through April 2013. The timing and amount of purchases will be based on market conditions, corporate and legal requirements and other factors. The share repurchase program does not obligate the Company to acquire any specific number of shares in any period, and may be modified, suspended, extended or discontinued at any time without prior notice. Through September 30, 2012, the Company has repurchased 14.0 million shares for a total repurchase of \$107.3 million at an average price of \$7.67 per share.

**Fair Value Measurement**

The Company values its assets and liabilities using the methods of fair value as described in Accounting Standards Codification ( ASC ) 820, *Fair Value Measurements and Disclosures*. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels of fair value hierarchy are described below:

*Level 1*-Quoted prices in active markets for identical assets or liabilities.

*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-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3*-Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and considers counter-party credit risk in its assessment of fair value. Observable or market inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions based on the best information available. There have been no transfers of assets or liabilities between the fair value measurement classifications for the three months ended September 30, 2012. The Company has certain assets and liabilities that are required to be recorded at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States ( U.S. GAAP ).

The following table summarizes those assets and liabilities measured at fair value on a recurring basis as of September 30, 2012:

(in thousands)	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Bank time deposits	\$	\$ 64,452	\$	\$ 64,452
U.S. and foreign government obligations	45,122	21,077		66,199
Bankers' acceptances		8,865		8,865
Foreign exchange contracts		14		14
Total Assets	\$ 45,122	\$ 94,408	\$	\$ 139,530
<b>Liabilities:</b>				
Foreign exchange contracts	\$	\$ 531	\$	\$ 531
Lease exit liabilities			15,427	15,427
Total Liabilities	\$	\$ 531	\$ 15,427	\$ 15,958

**Table of Contents**

The following table summarizes those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

(in thousands)	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Bank time deposits	\$	\$ 114,839	\$	\$ 114,839
Commercial paper		75,066		75,066
Bankers acceptance		8,630		8,630
Government bond-foreign		7,143		7,143
Foreign exchange contracts		215		215
<b>Total Assets</b>	<b>\$</b>	<b>\$ 205,893</b>	<b>\$</b>	<b>\$ 205,893</b>
<b>Liabilities:</b>				
Lease exit liabilities	\$	\$	\$ 14,938	\$ 14,938
<b>Total Liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$ 14,938</b>	<b>\$ 14,938</b>

The lease exit liabilities relate to vacated facilities associated with previously discontinued operations and restructuring activities of the Company and are recorded in accrued expenses and other current liabilities in the consolidated balance sheet. The fair value of the Company's lease exit liabilities within the Level 3 classification is based on a discounted cash flow model applied over the remaining term of the leased property, inclusive of certain sublet assumptions.

The changes in the fair value of the Level 3 liabilities are as follows:

	<b>Lease Exit Liability</b>	
	<b>(in thousands)</b>	
	Nine Months Ended September 30,	
	2012	2011
Balance, Beginning of Period	\$ 14,938	\$ 13,913
Expense	4,768	3,540
Cash Payments	(4,279)	(2,625)
 Balance, End of Period	 \$ 15,427	 \$ 14,828

The carrying value for cash and cash equivalents, accounts receivable, accounts payable, certain accrued expenses and other current liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments. The Company's debt relates to borrowings under its revolving credit facilities and term loan (see Note 13. *Financing Agreements* to the Company's financial statements included in Item 1 of this Quarterly Report on Form 10-Q), which approximates fair value due to the debt bearing fluctuating market interest rates.

**Critical Accounting Estimates**

Our consolidated financial statements are prepared in accordance with U.S. GAAP. In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

Our significant accounting policies are discussed in Note 1, *Basis of Presentation and Significant Accounting Policies*, of the Notes to Consolidated Financial Statements, included in *Item 8, Financial Statements and Supplementary Data*, of our Annual Report on Form 10-K for the year ended December 31, 2011. Management believes that the following accounting policies are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.



## **Table of Contents**

### ***Revenue Recognition and Accounts Receivable***

The Company recognizes revenue on agreements in accordance with ASC 605, *Revenue Recognition*.

*Careers-North America and Careers-International.* Our Careers-North America and Careers-International segments primarily earn revenue from the placement of job postings on the websites within the Monster network, access to the Monster network's online resume database, recruitment media services, applicant tracking services, online career related solutions provided through a Software as a Service (SaaS) offering and other career-related services.

In accordance with Accounting Standards Update (ASU) No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, which was effective January 1, 2011, revenue associated with multiple element contracts is based on the selling price hierarchy, which includes vendor-specific objective evidence or (VSOE) when available, third-party evidence (TPE) if vendor-specific objective evidence is not available and then the best estimate of selling price if neither VSOE or TPE is available. Under this new accounting guidance, to treat elements in a multi-element arrangement as separate units of accounting, each element must have standalone value upon delivery. If the element has standalone value, the Company accounts for each element separately. In determining whether elements have standalone value, the Company considers the availability of the elements from other vendors, the nature of the elements, the timing of execution of contracts for customers and the contractual dependence of the element related to a customer's acceptance.

We recognize revenue at the time that job postings and related accessories are displayed on the Monster network websites, based upon customer usage patterns. Revenue earned from subscriptions to the Monster network's resume database, applicant tracking services and other career-related services are recognized over the length of the underlying subscriptions, typically from two weeks to twelve months. The Company accounts for SaaS contracts as the services are being performed.

Unearned revenues are reported on the balance sheet as deferred revenue. We review accounts receivable for those that may potentially be uncollectible and any accounts receivable balances that are determined to be uncollectible are included in our allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

*Internet Advertising & Fees.* Our Internet Advertising & Fees segment primarily earns revenue from the display of advertisements on the Monster network of websites, click-throughs on text based links, leads provided to advertisers and subscriptions to premium services. We recognize revenue for online advertising as impressions are delivered. An impression is delivered when an advertisement appears in pages viewed by our users. We recognize revenue from the display of click-throughs on text based links as click-throughs occur. A click-through occurs when a user clicks on an advertiser's listing. Revenue from lead generation is recognized as leads are delivered to advertisers.

### ***Fair Value Measurements***

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, certain accrued expenses and other current liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments. Our debt consists of borrowings under our credit facilities, which approximates fair value due to the debt bearing fluctuating market interest rates.

### ***Asset Impairment***

*Business Combinations, Goodwill and Intangible Assets.* We account for business combinations in accordance with ASC 805, *Business Combinations*. The acquisition method of accounting requires that assets acquired and liabilities assumed be recorded at their fair values on the date of a business acquisition. Our consolidated financial statements and results of operations reflect an acquired business on the completion date of an acquisition.

The judgments that we make in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact net income in periods following a business combination. We generally use either the income, cost or market approach to aid in our conclusions of such fair values and asset lives. The income approach presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset, discounted to present value. The cost approach presumes that an investor would pay no more for an asset than its replacement or reproduction cost. The market approach estimates value based on what other participants in the market have paid for reasonably similar assets. Although each valuation approach is considered in valuing the assets acquired, the approach ultimately selected is based on the characteristics of the asset and the availability of information.



## **Table of Contents**

The goodwill impairment test is performed at the reporting unit level. The Company has four reporting units which are the equivalent of our Operating Segments: Careers-North America, Careers-International, Careers-China and Internet Advertising & Fees. The Company tests the recorded amount of goodwill for recovery on an annual basis in the fourth quarter of each fiscal year by performing a goodwill impairment test on each reporting unit. Goodwill is tested more frequently if indicators of impairment exist. The Company performs a qualitative analysis each quarter for each of the reporting units to determine if it is more likely than not that the fair value of the reporting unit is greater than the unit's carrying amount based, in part, on whether any indicators of impairment exist, which requires a significant amount of judgment. Such indicators may include: a sustained significant decline in its share price and market capitalization; a decline in its expected future cash flows; a significant adverse change in legal factors or in the business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; or slower growth rates, among others. Any adverse change in these factors could have a significant impact on the recoverability of these assets and could have a material impact on our consolidated financial statements. In the event that the qualitative analysis indicates that it is not more likely than not that the fair value of the reporting unit is greater than the unit's carrying amount, then the Company performs a goodwill impairment test for that unit for that quarter.

The goodwill impairment test is a two step analysis. In step one, the fair value of each reporting unit is compared to its book value. Management must apply judgment in determining the estimated fair value of these reporting units. Fair value is determined using a combination of present value techniques (income approach) and quoted market prices of comparable businesses. If the fair value of the reporting unit exceeds its book value, goodwill is not deemed to be impaired for that reporting unit, and no further testing would be necessary. If the fair value of the reporting unit is less than its book value, the Company performs step two. Step two uses the calculated fair value of the reporting unit to perform a hypothetical purchase price allocation to the fair value of the assets and liabilities of the reporting unit. The difference between the fair value of the reporting unit calculated in step one and the fair value of the underlying assets and liabilities of the reporting unit is the implied fair value of the reporting unit's goodwill. A charge is recorded in the financial statements if the carrying value of the reporting unit's goodwill is greater than its implied fair value. The determination of fair value of the reporting units and assets and liabilities within the reporting units requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, the discount rate, terminal growth rates, earnings before depreciation and amortization, and capital expenditures forecasts. Due to the inherent uncertainty involved in making these estimates, actual results could differ from those estimates.

To determine fair value using the income approach, the Company discounts the expected future cash flows of the reporting units. The discount rate used represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in our operations and the rate of return a market participant would expect to earn. To estimate cash flows beyond the final year of our model, the Company uses a terminal value approach. Under this approach, the Company uses estimated operating income before interest, depreciation and amortization in the final year of its model, adjusts it to estimate a normalized cash flow, applies a perpetuity growth assumption and discounts it by a perpetuity discount factor to determine the terminal value. The Company incorporates the present value of the resulting terminal value into its estimate of fair value. To corroborate the results of the income approach, the Company estimated the fair value of its reporting units using several market-based approaches including indication of sale value, when available.

The Company evaluates the merits of each significant assumption, both individually and in the aggregate, used to determine the fair value of the reporting unit, as well as the fair values of the corresponding assets and liabilities within the reporting unit, and must conclude that they are reasonable. The Company has utilized the income approach in determining the fair value of the reporting units consistent with prior periods. The Company believes that this is appropriate since it is often difficult to find other appropriate companies that are similar to our reporting units and it is our view that future discounted cash flows are more reflective of the value of the reporting units.

The Company recognizes during certain periods our market capitalization has been below our book value. Accordingly, we monitor changes in our share price between annual impairment tests to ensure that our market capitalization continues to exceed or is not significantly below the carrying value of our net assets. We consider a decline in our market capitalization that corresponds to an overall deterioration in stock market conditions to be less of an indicator of goodwill impairment than a unilateral decline in our market capitalization which would reflect adverse changes in our underlying operating performance, cash flows, financial condition and/or liquidity. In the event that our market capitalization does decline below its book value, we consider the length and severity of the decline and the reason for the decline when assessing whether a potential goodwill impairment exists. We believe that short-term fluctuations in share prices may not necessarily reflect underlying values. However, if a decline in our market capitalization below book value persists for an extended period of time, we would likely consider the decline to be indicative of a decline in the aggregate fair value at the reporting unit level.

Differences in the Company's actual future cash flows, operating results, growth rates, capital expenditures, cost of capital and discount rates as compared to the estimates utilized for the purpose of calculating the fair value of each reporting unit, as well as a decline in the Company's stock price and related market capitalization, could affect the results of our annual goodwill assessment and, accordingly, potentially lead to future goodwill impairment charges.



## **Table of Contents**

*Long-lived assets.* We review long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We use internal discounted cash flows estimates, quoted market prices when available and independent appraisals, as appropriate, to determine fair value. We derive the required cash flow estimates from our historical experience and our internal business plans and apply an appropriate discount rate.

### ***Income Taxes***

We utilize the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In evaluating our ability to recover our deferred tax assets within the jurisdictions from which they arise, we consider all available positive and negative evidence, including scheduled reversals of taxable temporary items, projected future taxable income, tax planning strategies and recent financial operations.

Assumptions used in making this evaluation require significant judgment and are consistent with the plans and estimates we are using to manage the underlying business. When we determine that we are not able to realize our recorded deferred tax assets, an increase in the valuation allowance is recorded, decreasing earnings in the period in which such determination is made.

Our interim provision for income taxes is measured using an estimated annual effective tax rate, adjusted for discrete items that occur within the periods presented.

We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, we have recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is a 50% or less likelihood that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

### ***Stock-Based Compensation***

We account for stock-based compensation in accordance with ASC 718, *Stock Compensation*. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period, net of estimated forfeitures. We use the Black-Scholes option-pricing model to determine the fair value of stock option awards and measure non-vested stock awards using the fair market value of our common stock on the date the award is approved. For certain 2008 awards, which were market-based grants, we estimated the fair value of the award utilizing a Monte Carlo simulation model. We award stock options, non-vested stock, market-based non-vested stock and performance-based non-vested stock to employees, directors and executive officers.

### ***Restructuring and Other Operating Lease Obligations***

We recognize a liability for costs to terminate an operating lease obligation before the end of its term when we no longer derive economic benefit from the lease. The liability is recognized and measured at its fair value when we determine that the cease use date has occurred and the fair value of the liability is determined based on the remaining lease rentals due, reduced by estimated sublease rental income that could be reasonably obtained for the property. The estimate of subsequent sublease rental income may change and require future changes to the fair value of the liabilities for the lease obligations.

### ***Equity Investments***

Gains and losses in equity interest for the nine months ended September 30, 2012, resulting from our equity method investments in businesses in Finland and Australia, are based on unaudited financial information of those businesses. Although we do not anticipate material differences, audited results may differ.

### ***Recently Issued Accounting Pronouncements***

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

New accounting pronouncements are issued by the Financial Accounting Standards Board ( FASB ) or other standards setting bodies that we adopt according to the various timetables the FASB specifies. The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

## **Table of Contents**

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information in this section should be read in connection with the information on financial market risk related to non-U.S. currency exchange rates, changes in interest rates and other financial market risks in Part II, Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, in our Annual Report on Form 10-K for the year ended December 31, 2011.

#### **Foreign Exchange Risk**

During the three months ended September 30, 2012, revenue from our international operations accounted for 40% of our consolidated revenue. Revenue and related expenses generated from our international websites are generally denominated in the functional currencies of the local countries. Our primary foreign currencies are Euros, British Pounds, Korean Won, Chinese Renminbi and Swedish Krona. The functional currency of a majority of our subsidiaries that either operate or support these websites is the same as the corresponding local currency. The results of operations of, and certain of our intercompany balances associated with, our internationally-focused websites are exposed to foreign exchange rate fluctuations. Upon consolidation, as exchange rates vary, revenue and other operating results may differ materially from expectations, and we may record significant gains or losses on the remeasurement of intercompany balances. The effect of the strengthening U.S. dollar in the three months ended September 30, 2012 negatively impacted reported revenue by approximately \$9.0 million and negatively impacted reported operating income by approximately \$1.4 million, compared to the three months ended September 30, 2011.

We have foreign exchange risk related to foreign-denominated cash and cash equivalents ( foreign funds ). Based on the balance of foreign funds at September 30, 2012 of \$124.9 million, an assumed 5%, 10% and 20% negative currency movement would result in fair value declines of \$6.2 million, \$12.5 million and \$25.0 million, respectively.

We use forward foreign exchange contracts as cash flow hedges to offset risks related to certain foreign currency transactions. These transactions primarily relate to non-functional currency denominated inter-company funding loans, non-functional currency monetary assets, non-functional currency denominated accounts receivable and non-functional currency denominated accounts payable. We do not enter into derivative financial instruments for trading purposes.

The financial statements of our non-U.S. subsidiaries are translated into U.S. dollars using current rates of exchange, with gains or losses included in the cumulative translation adjustment account, a component of stockholders' equity. During the three months ended September 30, 2012, our cumulative translation adjustment account decreased \$30.3 million primarily attributable to the foreign currency movements of the U.S. dollar against the Euro and Swedish Krona.

#### **Interest Rate Risk**

##### ***Credit Facilities***

As of September 30, 2012, our debt was comprised primarily of borrowings under our senior secured revolving credit facility, term loan facility, borrowings of one of our subsidiaries in China under an unsecured uncommitted revolving credit facility that we guarantee and a second China uncommitted revolving credit facility secured by a standby letter of credit. The credit facilities' interest rates may be reset due to fluctuation in a market-based index, such as the federal funds rate, BBA LIBOR, the administrative agent's prime rate or the People's Bank of China rate. Assuming the amount of borrowings provided for under our credit facilities were fully drawn during the third quarter of 2012, we would have had total usage of \$335.0 million under such facilities, and a hypothetical 1.00% (100 basis-point) change in the interest rate of our credit facilities would have changed our quarterly pre-tax earnings by approximately \$0.8 million for the three months ended September 30, 2012. Assuming the amount of borrowings under our credit facilities was equal to the amount of outstanding borrowings on September 30, 2012, we would have had \$195.9 million of total usage and a hypothetical 1.00% (100 basis-point) change in the interest rate of our credit facility would have changed our pre-tax earnings by approximately \$0.5 million for the three months ended September 30, 2012. We do not manage the interest rate risk on our debt through the use of derivative instruments.

##### ***Investment Portfolio***

Our investment portfolio is comprised primarily of cash and cash equivalents and short-term investments in a variety of debt instruments of high quality issuers. We invest in top sovereign, regional, national and supra-national bank commercial paper, bank time deposits, bankers acceptances and government bills or promissory notes or bonds that mature within three months of their origination date. A hypothetical 1.00% (100 basis-point) change in interest rates applicable to our investment portfolio would have changed our quarterly pretax earnings by approximately \$0.4 million for the three months ended September 30, 2012.





**Table of Contents**

**ITEM 4. CONTROLS AND PROCEDURES**

Monster maintains disclosure controls and procedures, as such term is defined in Rule 13a-15(e) of Securities Exchange Act of 1934 (the Exchange Act), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, Monster's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and Monster's management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Monster has carried out an evaluation, as of the end of the period covered by this report, under the supervision and with the participation of Monster's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Monster's disclosure controls and procedures. Based upon their evaluation and subject to the foregoing, the Chief Executive Officer and Chief Financial Officer concluded that Monster's disclosure controls and procedures were effective at a reasonable assurance level.

There have been no significant changes in Monster's internal controls over financial reporting that occurred during the three months ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **Table of Contents**

### **PART II-OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS**

The Company is involved in various legal proceedings that are incidental to the conduct of its business. Aside from the matters discussed below, no legal proceedings were commenced during the period covered by this report that the Company believes could reasonably be expected to have a material adverse effect on its financial condition, results of operations and cash flows.

In April 2012, TQP Development, LLC filed suit against the Company for allegedly infringing a patent relating to the transmission of encrypted data. The lawsuit, entitled TQP Development, LLC v. Monster Worldwide, Inc. (Civil Action No. 2:12-cv-186), is pending in the United States District Court for the Eastern District of Texas. The plaintiff seeks injunctive relief, monetary damages, pre and post judgment interest, and other costs. The Company intends to vigorously defend this matter and is currently unable to estimate any potential losses.

In July 2012, Data Carriers, LLC filed suit against the Company for allegedly infringing a patent relating to a system for monitoring and automating the use of a computer. The lawsuit, entitled Data Carriers, LLC v. Monster Worldwide, Inc. (Civil Action No.12-940), is pending in the United States District Court for the District of Delaware. The Plaintiff seeks injunctive relief, monetary damages, pre and post judgment interest, and other costs. The Company intends to vigorously defend this matter and is currently unable to estimate any potential losses.

#### **ITEM 1A. RISK FACTORS**

Because of the following factors, as well as other factors affecting the Company's financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

##### **The existing global economic and financial market environment has had, and may continue to have, a negative effect on our business and operations.**

Because demand for our services is sensitive to changes in the level of economic activity, our business has suffered during economic downturns. Many companies hire fewer employees when economic activity is slow. As a result, demand for our services is reduced, which leads to lower sales. If the economy does not fully recover or worsens, or unemployment remains at high levels, demand for our services and our sales may be further reduced. In addition, lower demand for our services may lead to lower prices for our services.

The volatility in global financial markets may also limit our ability to access the capital markets at a time when we would like, or need, to raise capital, which could have an impact on our ability to react to changing economic and business conditions. Accordingly, if the economy does not fully recover or worsens, our business, results of operations and financial condition could be materially and adversely affected.

##### **Risks associated with cuts in government spending could materially and adversely affect our business, operations and financial condition.**

Reductions in governmental expenditures that have been proposed or mandated could have a material adverse affect on our business, operations and financial condition. Government agencies may be limited in their ability to contract for Monster's services due to the proposed or mandated spending cuts. In addition, there could be an overall negative impact on economic growth as a result of less government spending, which could adversely affect our business, operations and financial condition.

##### **We face risks relating to our foreign operations.**

We earned 45%, 42% and 42% of our total revenue outside of the United States in the years ended December 31, 2011, 2010 and 2009, respectively. Such amounts are generally collected in local currencies. In addition, we generally pay operating expenses in local currencies. Therefore, we are at risk for exchange rate fluctuations between such local currencies and the United States dollar. Global foreign exchange markets have experienced periods of heightened volatility in recent years and we cannot predict the direction or magnitude of future currency fluctuations. A weakening of the currencies in which we generate sales relative to the currencies in which our costs are denominated may lower our results of operations.

We are also subject to taxation in foreign jurisdictions. In addition, transactions between our foreign subsidiaries and us may be subject to United States and foreign withholding taxes. Applicable tax rates in foreign jurisdictions differ from those of the United States, and change

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

periodically. The extent, if any, to which we will receive credit in the United States for taxes we pay in foreign jurisdictions will depend upon the application of limitations set forth in the Internal Revenue Code of 1986, as well as the provisions of any tax treaties that may exist between the United States and such foreign jurisdictions.

## **Table of Contents**

Our international operations might not succeed or might fail to meet our expectations for a number of reasons, including:

general political uncertainty;

difficulties in staffing and managing foreign operations;

competition from local recruiting services;

operational issues such as longer customer payment cycles and greater difficulties in collecting accounts receivable;

seasonal reductions in business activity;

language and cultural differences;

taxation issues;

complex legal and regulatory requirements that may be uncertain and may change; and

issues relating to uncertainties of laws and enforcement relating to the regulation and protection of intellectual property.

In the third quarter of 2012, we decided to pursue the sale of our Careers-China business. We expect to incur significant costs pursuing such sale. We also announced in November 2012 that we are evaluating all options for our developing markets businesses. We expect to incur significant costs evaluating such options and carrying out any resulting actions.

Also, we could be exposed to fines and penalties under United States laws such as the Foreign Corrupt Practices Act and local laws prohibiting corrupt payments to governmental officials. Although we have implemented policies and procedures designed to ensure compliance with these laws, we cannot be sure that our employees, contractors or agents will not violate our policies. Any such violations could materially damage our reputation, our brand, our international expansion efforts, our business and our operating results.

### **Concerns regarding the European debt crisis and market perceptions concerning the instability of the euro could adversely affect the Company's business, results of operations and financing.**

Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. These concerns, or market perceptions concerning these and related issues, could adversely affect the value of the Company's euro-denominated assets and obligations and lead to future economic slowdowns.

### **We rely on the value of our brands, particularly Monster, and the costs of maintaining and enhancing our brand awareness are increasing.**

Our success depends on our brands and their value. Our business would be harmed if we were unable to adequately protect our brand names, particularly Monster. We believe that maintaining and expanding the Monster brand is an important aspect of our efforts to attract and expand our user and client base. We also believe that the importance of brand recognition will increase due to the growing number of Internet sites and the relatively low barriers to entry. We have spent considerable money and resources to date on the establishment and maintenance of the

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

Monster brand. We are devoting substantial resources to advertising, marketing and other brand-building efforts to preserve and enhance consumer awareness of the Monster brand. Despite this, we may not be able to successfully maintain or enhance consumer awareness of the Monster brand and, even if we are successful in our branding efforts, such efforts may not be cost-effective. If we are unable to maintain or enhance consumer awareness of the Monster brand in a cost-effective manner, our business, operating results and financial condition may be harmed significantly.

We also are susceptible to others imitating our products and brands, particularly our Monster brand, and infringing on our intellectual property rights. We may not be able to successfully protect our intellectual property rights, upon which we are dependent. While we believe we have strong trademark protection in the Monster brand worldwide in the careers and recruitment business, that protection does not extend fully to other businesses. Other companies and organizations use the Monster name, and more may do so in the future. This use could adversely affect our brand recognition and reputation if employers or job seekers confuse us with these other organizations. In addition, the laws of foreign countries do not necessarily protect intellectual property rights to the same extent as the laws of the United States. Imitation of our products or brands, particularly our Monster brand, or infringement of our intellectual property rights could diminish the value of our brands or otherwise reduce our revenues.

### **Our markets are highly competitive.**

The markets for our services are highly competitive. They are characterized by pressures to:

reduce prices;

incorporate new capabilities and technologies; and

accelerate hiring timelines.

## **Table of Contents**

Furthermore, we face competition from a number of sources. These sources include:

other employment-related websites, including large national and international competitors, niche career websites targeted at specific industry verticals, and jobs aggregator websites that aggregate job postings from multiple company websites and job boards;

professional networking and social networking websites;

general classified advertising websites, some of which offer a low-cost or free alternative to our offerings;

traditional media companies, including newspapers; and

Internet portals, search engines and general-interest websites such as blogs.

In addition to traditional competitors that provide products and services that are very similar to Monster's core products and services, we face increasing competition from a broad range of competitor types. Jobs aggregator websites have become a significant source of competition, as they permit job seekers to search multiple company websites and job boards. Professional networking websites have had significant success over the past several years in gaining large numbers of members and attracting employer customers with products that compete directly with our products. Low-cost and free classified advertising websites have also gained increased acceptance with employers. Additionally, many niche career websites have been launched targeted at specific industry verticals, and many industry blogs and websites now provide employment advertising opportunities for employers within specific industries.

Some of our competitors or potential competitors may have greater financial resources, management, technological development, sales, marketing and other resources than we do. Some of our competitors have more diversified businesses or may be owned by entities engaged in other lines of business, allowing them to operate their directly competitive operations at lower margins than our operations. In addition, our ability to maintain our existing clients and attract new clients depends to a large degree on the quality of our services and our reputation among our clients and potential clients.

Due to competition, we may experience reduced margins on our products and services, loss of market share or diminished use of our services by job seekers and our customers. If we are not able to compete effectively with current or future competitors as a result of these and other factors, our business, financial condition and results of operations could be significantly harmed.

We have no significant proprietary technology that would preclude or inhibit competitors from entering the online advertising market. Existing or future competitors may develop or offer services and products that provide significant performance, price, creative or other advantages over our services. If we do not keep pace with product and technology advances, there could be a material adverse effect on our competitive position, revenue and prospects for growth. This could significantly harm our business, financial condition and operating results.

### **Our ongoing review of strategic alternatives may pose additional risks to our business.**

On March 1, 2012, the Company announced that it had resolved to explore strategic alternatives to maximize value for the Company's stockholders. This process is ongoing, and the Board of Directors has not set a definitive timetable for the completion of its evaluation. Our exploration of strategic alternatives, including any uncertainty created by this process, involves a number of risks, including distraction of management during this process; significant fluctuations in our stock price could occur in response to developments relating to the strategic review process or market speculation regarding any such developments; we may encounter difficulties in hiring, retaining and motivating key personnel during this process or as a result of uncertainties generated by this process or any developments or actions relating to it; we may incur substantial increases in general and administrative expense associated with increased legal fees and the need to retain and compensate third party consultants; and we may experience difficulties in preserving the commercially sensitive confidential information that may need to be disclosed to competitors and other persons during this process or in connection with an assessment of our strategic alternatives.

There can be no assurance that this process will result in the pursuit or consummation of any strategic transaction or that there will be a formal cessation of the process. During this process, we do not intend to provide interim updates or announce or otherwise disclose developments

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

(whether or not material) related to the strategic review process. The occurrence of any one or more of the above risks could have a material adverse impact on our business, results of operations, liquidity or financial condition.

## **Table of Contents**

### **Our operating results fluctuate from quarter to quarter.**

Our quarterly operating results have fluctuated in the past and may fluctuate in the future. These fluctuations are a result of a variety of factors, including, but not limited to:

the timing and amount of existing clients' subscription renewals;

enhancements to existing services;

the hiring cycles of employers;

changes in general economic conditions, such as recessions, that could, among other things, affect recruiting efforts generally and online recruiting efforts in particular;

the magnitude and timing of marketing initiatives;

the maintenance and development of our strategic relationships;

our ability to attract and retain customers;

technical difficulties or system downtime affecting the Internet generally or the operation of our products and services specifically; and

enhancements to technology to safeguard against security breaches.

### **We face risks relating to developing technology.**

The market for our products and services is characterized by rapid technological developments, frequent new product introductions and evolving industry standards. The emerging character of these products and services and their rapid evolution will require continuous improvement in the performance, features and reliability of our Internet and mobile content, particularly in response to competitive offerings. We may not be successful in responding quickly, cost effectively and sufficiently to these developments. In addition, the widespread adoption of new technologies or standards (including several different mobile and smart phone operating systems) could require us to make substantial expenditures to modify or adapt our websites, applications and services. Each manufacturer or distributor of a mobile device or smart phone may establish unique technical standards for its devices, and our products and services may not work or be viewable on these devices as a result. As new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on these alternative devices and we may need to devote significant resources to the creation, support, and maintenance of such devices. If we are slow to develop products and technologies that are compatible with such devices, we might fail to capture a significant share of an increasingly important portion of the market for our products and services. This could harm our business, financial condition and operating results.

New Internet services or enhancements that we have offered or may offer in the future may contain design flaws or other defects that could require expensive modifications or result in a loss of client confidence. Any disruption in Internet access or in the Internet generally could significantly harm our business, financial condition and operating results. Slower response times or system failures may also result from straining the capacity of our software, hardware or network infrastructure. To the extent that we do not effectively address any capacity constraints or system failures, our business, results of operations and financial condition could be significantly harmed.



Trends that could have a critical impact on our success include:

rapidly changing technology in online recruiting;

evolving industry standards relating to online recruiting;

developments and changes relating to the Internet and mobile devices;

evolving government regulations;

competing products and services that offer increased functionality;

changes in employer and job seeker requirements; and

customer privacy protection concerning transactions conducted over the Internet.

## **Table of Contents**

**We rely heavily on our information systems and if our access to this technology is impaired, or we fail to further develop our technology, our business could be significantly harmed.**

Our success depends in large part upon our ability to store, retrieve, process and manage substantial amounts of information, including our client and candidate databases. To achieve our strategic objectives and to remain competitive, we must continue to develop and enhance our information systems. Our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our information systems to evolving industry standards and to improve the performance and reliability of our information systems. This may require the acquisition of equipment and software and the development, either internally or through independent consultants, of new proprietary software. Our inability to design, develop, implement and utilize, in a cost-effective manner, information systems that provide the capabilities necessary for us to compete effectively could significantly harm our business, results of operations or financial condition.

**Concerns relating to our privacy policies and our compliance with applicable data protection laws and regulations could damage our reputation and deter current and potential customers, job seekers and other Internet users from using our products and services and subject us to fines.**

Concerns about our practices with regard to the collection, use, disclosure or security of personal information or other privacy-related matters, even if unfounded, could damage our reputation, which in turn could significantly harm our business, financial condition and operating results.

While we strive to comply with all applicable data protection laws and regulations, as well as our own posted privacy policies, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, which could potentially have an adverse effect on our business. Moreover, failure or perceived failure to comply with applicable laws, regulations, requirements or our policies related to the collection, use, sharing or security of personal information or other privacy-related matters could result in a loss of confidence in us by customers, job seekers and other Internet users and could expose us to fines and penalties and could require us to expend significant sums in connection with any failure or perceived failure, each of which could adversely affect our business, financial condition and results of operations. Laws related to data protection continue to evolve. It is possible that certain jurisdictions may enact laws or regulations that impact our ability to offer our products and services and/or result in reduced traffic or contract terminations in those jurisdictions, which could harm our business, financial condition and results of operations.

**Intrusions on our systems could damage our business.**

Despite our implementation of network security measures, our servers are vulnerable to cyber attacks, computer viruses, worms and other malicious software programs, physical and electronic break-ins, sabotage and similar disruptions from unauthorized tampering with our computer systems. Unauthorized access could jeopardize the security of information stored in our systems relating to our customers, job seekers and other website users, and can lead to phishing schemes whereby unauthorized persons pose as employers or Monster representatives and seek to obtain personal information from our customers and job seekers. In addition, malware or viruses could jeopardize the security of information stored or used in a user's computer.

We have experienced these intrusions in the past. We may also experience these intrusions in the future and may be required to expend significant sums and resources to safeguard against or remediate them. Moreover, negative publicity arising from any intrusion is damaging to our reputation and may adversely impact traffic to our sites. Accordingly, any intrusion could significantly harm our business, financial condition and results of operations.

**Interruptions, delays or failures in the provision of our services could damage our brand and harm our operating results.**

Our systems are susceptible to outages and interruptions due to fire, floods, power loss, telecommunications failures, terrorist attacks and similar events. Our systems' continuing and uninterrupted performance is critical to our success. Customers, job seekers and other website users may become dissatisfied by any system failure that interrupts our ability to provide our services to them, including failures affecting our ability to serve web page requests without significant delay to the viewer. Sustained or repeated system failures would reduce the attractiveness of our solutions to customers, job seekers and other Internet users and result in reduced traffic, contract terminations, fee rebates and make goods, thereby reducing revenue. Moreover, negative publicity arising from these types of disruptions is damaging to our reputation and may adversely impact traffic to our sites.

We do not have multiple site redundancy for all of our services and some of our systems are not fully redundant in the event of any such occurrence. In an effort to reduce the likelihood of a geographical or other disaster impacting our business, we have distributed, and intend to continue assessing the need to distribute, our servers among additional data centers. Failure to execute these changes properly or in a timely manner could result in delays or interruptions to our service, which could result in a loss of users and damage to our brand, and harm our

operating results. We may not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any events that cause interruptions in our service.

## **Table of Contents**

### **We are vulnerable to intellectual property infringement claims brought against us by others.**

Successful intellectual property infringement claims against us could result in monetary liability or a material disruption in the conduct of our business. We cannot be certain that our products, content and brand names do not or will not infringe valid patents, trademarks, copyrights or other intellectual property rights held by third parties. We expect that infringement claims in our markets will increase in number. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we were found to have infringed the intellectual property rights of a third party, we could be liable to that party for license fees, royalty payments, lost profits or other damages, and the owner of the intellectual property might be able to obtain injunctive relief to prevent us from using the technology or software in the future. If the amounts of these payments were significant or we were prevented from incorporating certain technology or software into our products, our business could be significantly harmed.

We may incur substantial expenses in defending against these third party infringement claims, regardless of their merit. As a result, due to the diversion of management time, the expense required to defend against any claim and the potential liability associated with any lawsuit, any significant litigation could significantly harm our business, financial condition and results of operations.

### **If we are unable to protect our proprietary rights or maintain our rights to use key technologies of third parties, our business may be harmed.**

A degree of uncertainty exists concerning the application and enforcement of trademark, trade dress and copyright laws to the Internet, and existing laws may not provide us adequate protection for our original content or the appearance of our Internet sites. In addition, because copyright laws do not prohibit independent development of similar content, copyright laws may not provide us with any competitive advantage. We have obtained patents and applied for other patents with respect to certain of our software systems, methods and related technologies, but our pending applications may not be granted and any patents issued to us may in the future be challenged, invalidated or circumvented, and the rights granted under patents may not provide us with a competitive advantage. We also face risks associated with our trademarks, particularly trademarks covering the Monster brand. Policing unauthorized use of our proprietary technology and other intellectual property rights could involve significant expense and could be difficult or impossible, particularly given the global nature of the Internet and the fact that the laws of certain other countries may afford us little or no effective protection of our intellectual property. Moreover, certain amendments to the United States patent law made by the America Invents Act of 2011, when they become effective, may affect our ability to protect our innovations and defend against claims of patent infringement.

In addition, we rely on certain technology licensed from third parties, and may be required to license additional technology in the future for use in managing our Internet sites and providing related services to users and advertising customers. Our ability to generate fees from Internet commerce may also depend on data encryption, authentication and other technologies that we may be required to license from third parties. These third-party technology licenses may not continue to be available to us on acceptable commercial terms or at all. The inability to enter into and maintain any of these technology licenses could significantly harm our business, financial condition and operating results.

### **We have made strategic acquisitions and entered into alliances and joint ventures in the past and may do so in the future. If we are unable to achieve expected benefits from such transactions, there could be a material adverse effect on our business, growth rates and results of operations.**

As part of our business strategy we have entered into agreements relating to acquisitions, strategic alliances and joint ventures. Such transactions are inherently risky and can be accompanied by a number of risks, including:

the difficulty of integrating the operations and personnel of our acquired companies into our operations;

the potential disruption of our ongoing business and distraction of management;

the difficulty of integrating acquired technology and rights into our services and unanticipated expenses related to such integration;

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

the impairment of relationships with customers and partners of the acquired companies or our customers and partners as a result of the integration of acquired operations;

the impairment of relationships with employees of the acquired companies or our employees as a result of integration of new management personnel;

the difficulty of integrating the acquired companies' accounting, management information, human resources and other administrative systems;

in the case of foreign acquisitions, uncertainty regarding foreign laws and regulations and difficulty integrating operations and systems as a result of cultural, systems and operational differences; and

the impact of known potential liabilities or unknown liabilities associated with the acquired companies.

## **Table of Contents**

Our failure to be successful in addressing these risks or other problems encountered in connection with acquisitions could cause us to fail to realize the anticipated benefits of our acquisitions, incur unanticipated liabilities and significantly harm our business, financial condition and results of operations generally.

### **Our business depends largely on our ability to attract and retain talented employees, including senior management.**

We are substantially dependent on the continued services of our executive officers and senior management. The loss of any of these individuals could harm our business, financial condition and results of operations. Our business is also dependent on our ability to retain, hire, motivate and develop talented, highly skilled personnel. Experienced management and technical, marketing and support personnel in our industry are in high demand, and competition for their talents is intense. If we are less successful in our recruiting efforts, or if we are unable to retain key employees, our ability to develop and deliver successful products and services may be adversely affected. On March 1, 2012, the Company announced that it had resolved to explore strategic alternatives to maximize value for the Company's stockholders. This strategic review process creates uncertainty which may impact our ability to recruit and retain executive talent.

### **We have recorded a significant goodwill impairment charge and may be required to record additional significant charges to earnings if our goodwill or amortizable intangible assets become impaired.**

During the third quarter of 2012, we recorded a goodwill impairment charge of \$216.2 million for our Careers-China business unit. We are required under generally accepted accounting principles to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our amortizable intangible assets may not be recoverable include a decline in stock price and market capitalization, slower growth rates in our industry or other materially adverse events. We may be required to record additional significant charges to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. This may adversely impact our results of operations. As of September 30, 2012, our goodwill and amortizable intangible assets were \$913.8 million, which represented 53% of total consolidated assets.

### **We estimate tax liabilities, the final determination of which is subject to review by domestic and international taxation authorities.**

We are subject to income taxes and other taxes in both the United States and the foreign jurisdictions in which we currently operate or have historically operated. We are also subject to review and audit by both domestic and foreign taxation authorities. The determination of our worldwide provision for income taxes and current and deferred tax assets and liabilities requires judgment and estimation. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the tax amounts recorded in our consolidated financial statements.

### **Effects of anti-takeover provisions could inhibit the acquisition of Monster Worldwide by others.**

Some of the provisions of our certificate of incorporation, bylaws and Delaware law could, together or separately:

discourage potential acquisition proposals;

delay or prevent a change in control; and/or

limit the price that investors might be willing to pay in the future for shares of our Common Stock.

In particular, our Board of Directors may authorize the issuance of up to 800,000 shares of Preferred Stock with rights and privileges that might be senior to our Common Stock, without the consent of the holders of the Common Stock. In addition, our certificate of incorporation and bylaws provide, among other things, for advance notice of stockholder proposals and director nominations.

### **There is volatility in our stock price.**

The market for our Common Stock has, from time to time, experienced extreme price and volume fluctuations. Factors such as announcements of variations in our quarterly financial results and fluctuations in revenue could cause the market price of our Common Stock to fluctuate

## Edgar Filing: MONSTER WORLDWIDE, INC. - Form 10-Q

significantly. In addition, the stock market in general, and the market prices for Internet-related companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom have been granted equity compensation.

## **Table of Contents**

The market price of our Common Stock can be influenced by stockholders' expectations about the ability of our business to grow and to achieve certain profitability targets. If our financial performance in a particular quarter does not meet the expectations of our stockholders, it may adversely affect their views concerning our growth potential and future financial performance and, therefore, result in a drop in the market price of our Common Stock. In addition, if the securities analysts who regularly follow our Common Stock lower their ratings of our Common Stock, the market price of our Common Stock is likely to drop significantly.

### **We face risks associated with government regulation.**

The application of existing laws and regulations to our websites relating to issues such as user privacy, security of data, defamation, advertising, taxation, promotions, content regulation, and intellectual property ownership and infringement can be unclear. In addition, we will also be subject to new laws and regulations directly applicable to our activities. Any existing or new legislation applicable to us could expose us to substantial liability, including significant expenses necessary to comply with such laws and regulations, and dampen growth in Internet usage.

The federal CAN-SPAM Act and state anti-spam laws impose certain requirements on the use of e-mail. The implications of these laws have not been fully tested. Portions of our business rely on e-mail to communicate with consumers on our behalf and for our clients. We may face risk if our use of e-mail is found to violate the federal law or applicable state law.

We post our privacy policy and practices concerning the use and disclosure of user data on our websites. Any failure by us to comply with our posted privacy policy or other privacy-related laws and regulations could result in proceedings which could potentially harm our business, results of operations and financial condition. In this regard, there are a large number of legislative proposals before the United States Congress, various state legislative bodies as well as various European Union institutions, bodies and agencies regarding privacy issues related to our business. It is not possible to predict whether or when such legislation may be adopted, and certain proposals, if adopted, could significantly harm our business, financial condition and results of operations through a decrease in user registrations and revenues. This could be caused by, among other possible provisions, the required use of disclaimers or other requirements before users can utilize our services.

Due to the global nature of the Internet, it is possible that the governments of other states and foreign countries might attempt to regulate its transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws or such laws may be modified and new laws may be enacted in the future. Any such developments (or developments stemming from enactment or modification of other laws) may significantly harm our business, operating results and financial condition.

### **Legal proceedings may significantly harm our business.**

From time to time, we may become involved in litigation or other proceedings in the ordinary course of business. It is possible that such litigation or proceedings may significantly harm our future results of operations or financial condition due to expenses we may incur to defend ourselves or the ramifications of an adverse decision.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

## **ITEM 4. MINE SAFETY DISCLOSURE**

Not applicable

## **ITEM 5. OTHER INFORMATION**

None.



**Table of Contents****ITEM 6. EXHIBITS**

The following exhibits are filed as a part of this report:

**Exhibit**

<b>Number</b>	<b>Description</b>
15.1	Letter from BDO USA, LLP regarding unaudited interim financial information.
31.1	Certification by Salvatore Iannuzzi pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by James M. Langrock pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Salvatore Iannuzzi pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by James M. Langrock pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

\* XBRL information is deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under such sections.

**Table of Contents**

**SIGNATURES**

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

MONSTER WORLDWIDE, INC. (Registrant)

Dated: November 9, 2012

By: */s/ SALVATORE IANNUZZI*  
**Salvatore Iannuzzi**  
**Chairman, President and Chief Executive Officer**

**(principal executive officer)**

Dated: November 9, 2012

By: */s/ JAMES M. LANGROCK*  
**James M. Langrock**  
**Executive Vice President and Chief Financial Officer**

**(principal financial officer)**

Dated: November 9, 2012

By: */s/ MICHAEL B. MCGUINNESS*  
**Michael B. McGuinness**  
**Senior Vice President, Chief Accounting Officer and Global Controller**

**(principal accounting officer)**

**Table of Contents**

**EXHIBIT INDEX**

**Exhibit**

<b>Number</b>	<b>Description</b>
15.1	Letter from BDO USA, LLP regarding unaudited interim financial information.
31.1	Certification by Salvatore Iannuzzi pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by James M. Langrock pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Salvatore Iannuzzi pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by James M. Langrock pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

\* XBRL information is deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under such sections.