

HALF ROBERT INTERNATIONAL INC /DE/
Form 10-Q
November 04, 2011

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

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 1-10427

ROBERT HALF INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: HALF ROBERT INTERNATIONAL INC /DE/ - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

94-1648752
(I.R.S. Employer
Identification No.)

2884 Sand Hill Road
Suite 200

Menlo Park, California
(Address of principal executive offices)

94025
(zip-code)

Registrant's telephone number, including area code: (650) 234-6000

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. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of September 30, 2011:

142,960,024 shares of \$.001 par value Common Stock

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS**ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

(in thousands, except share amounts)

	September 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	\$ 242,726	\$ 315,137
Accounts receivable, less allowances of \$20,997 and \$21,569	516,047	423,175
Current deferred income taxes	105,056	92,087
Other current assets	141,163	141,461
Total current assets	1,004,992	971,860
Goodwill	189,386	189,787
Other intangible assets, net	94	219
Property and equipment, net	106,424	103,651
Deferred and other income taxes	7,639	8,467
Total assets	\$ 1,308,535	\$ 1,273,984
LIABILITIES		
Accounts payable and accrued expenses	\$ 120,890	\$ 93,690
Accrued payroll costs and retirement obligations	342,410	314,647
Income taxes payable	19,983	
Current portion of notes payable and other indebtedness	115	123
Total current liabilities	483,398	408,460
Notes payable and other indebtedness, less current portion	1,572	1,656
Other liabilities	31,615	29,497
Total liabilities	516,585	439,613
Commitments and Contingencies (Note G)		
STOCKHOLDERS EQUITY		
Preferred stock, \$.001 par value authorized 5,000,000 shares; issued and outstanding zero shares		
Common stock, \$.001 par value authorized 260,000,000 shares; issued and outstanding 142,858,389 shares and 146,182,564 shares	143	146
Capital surplus	748,284	787,105
Accumulated other comprehensive income	43,523	47,120
Retained earnings		
Total stockholders equity	791,950	834,371
Total liabilities and stockholders equity	\$ 1,308,535	\$ 1,273,984

The accompanying Notes to Condensed Consolidated Financial Statements

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net service revenues	\$ 984,668	\$ 817,258	\$ 2,803,503	\$ 2,323,521
Direct costs of services, consisting of payroll, payroll taxes, insurance costs and reimbursable expenses	592,765	508,118	1,701,223	1,456,395
Gross margin	391,903	309,140	1,102,280	867,126
Selling, general and administrative expenses	319,817	271,978	924,705	795,165
Amortization of intangible assets	39	46	118	362
Interest income, net	(148)	(153)	(598)	(321)
Income before income taxes	72,195	37,269	178,055	71,920
Provision for income taxes	28,027	16,645	70,757	30,641
Net income	\$ 44,168	\$ 20,624	\$ 107,298	\$ 41,279
Net income available to common stockholders diluted	\$ 43,556	\$ 20,099	\$ 105,740	\$ 39,430
Net income per share (Note J):				
Basic	\$.31	\$.14	\$.75	\$.28
Diluted	\$.31	\$.14	\$.74	\$.27
Shares:				
Basic	139,449	142,230	141,118	143,182
Diluted	140,433	143,000	142,373	144,327
Cash dividends declared per share	\$.14	\$.13	\$.42	\$.39

The accompanying Notes to Condensed Consolidated Financial Statements

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (UNAUDITED)

(in thousands, except per share amounts)

	Nine Months Ended September 30,	
	2011	2010
COMMON STOCK SHARES:		
Balance at beginning of period	146,183	148,645
Net issuances of restricted stock	1,252	1,417
Repurchases of common stock	(5,238)	(3,210)
Exercises of stock options	661	282
Balance at end of period	142,858	147,134
COMMON STOCK PAR VALUE:		
Balance at beginning of period	\$ 146	\$ 149
Net issuances of restricted stock	1	1
Repurchases of common stock	(5)	(3)
Exercise of stock options	1	
Balance at end of period	\$ 143	\$ 147
CAPITAL SURPLUS:		
Balance at beginning of period	\$ 787,105	\$ 854,081
Net issuances of restricted stock at par value	(1)	(1)
Repurchases of common stock excess over par value	(33,088)	(55,674)
Cash dividends (\$.42 per share and \$.39 per share)	(61,016)	(44,074)
Stock-based compensation expense	38,193	43,213
Exercises of stock options excess over par value	15,277	6,077
Tax impact of equity incentive plans	1,814	(859)
Balance at end of period	\$ 748,284	\$ 802,763
ACCUMULATED OTHER COMPREHENSIVE INCOME:		
Balance at beginning of period	\$ 47,120	\$ 45,580
Translation adjustments	(3,597)	1,848
Balance at end of period	\$ 43,523	\$ 47,428
RETAINED EARNINGS:		
Balance at beginning of period	\$	\$
Repurchases of common stock excess over par value	(107,298)	(27,511)
Cash dividends (\$.39 per share)		(13,768)
Net income	107,298	41,279
Balance at end of period	\$	\$

The accompanying Notes to Condensed Consolidated Financial Statements

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Nine Months Ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 107,298	\$ 41,279
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	118	362
Depreciation expense	38,509	42,370
Stock-based compensation expense restricted stock and stock units	38,193	43,043
Stock-based compensation expense stock options		170
Excess tax benefits from stock-based compensation	(1,087)	(917)
Provision for deferred income taxes	(7,186)	(14,948)
Provision for doubtful accounts receivable	3,940	5,407
Changes in assets and liabilities:		
Increase in accounts receivable	(99,490)	(71,189)
Increase in accounts payable, accrued expenses, accrued payroll costs and retirement obligations	56,280	24,531
Increase in income taxes payable	30,701	19,773
Change in other assets, net of change in other liabilities	(7,608)	11,592
Net cash flows provided by operating activities	159,668	101,473
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(41,708)	(22,049)
Decrease in trusts for employee benefits and retirement plans	(4,812)	(612)
Net cash flows used in investing activities	(46,520)	(22,661)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchases of common stock	(140,391)	(83,188)
Cash dividends paid	(60,024)	(57,612)
Decrease in notes payable and other indebtedness	(92)	(84)
Excess tax benefits from stock-based compensation	1,087	917
Proceeds from exercises of stock options	15,279	6,077
Net cash flows used in financing activities	(184,141)	(133,890)
Effect of exchange rate changes on cash and cash equivalents	(1,418)	340
Net decrease in cash and cash equivalents	(72,411)	(54,738)
Cash and cash equivalents at beginning of period	315,137	365,794
Cash and cash equivalents at end of period	\$ 242,726	\$ 311,056
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 409	\$ 454
Income taxes, net of refunds	\$ 44,857	\$ 23,537

The accompanying Notes to Condensed Consolidated Financial Statements

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2011

Note A Summary of Significant Accounting Policies

Nature of Operations. Robert Half International Inc. (the Company) provides specialized staffing and risk consulting services through such divisions as *Accountemps*®, *Robert Half*® Finance & Accounting, *OfficeTeam*®, *Robert Half*® Technology, *Robert Half*® Management Resources, *Robert Half*® Legal, *The Creative Group*®, and *Protiviti*®. The Company, through its *Accountemps*, *Robert Half Finance & Accounting*, and *Robert Half Management Resources* divisions, is a specialized provider of temporary, full-time, and project professionals in the fields of accounting and finance. *OfficeTeam* specializes in highly skilled temporary administrative support personnel. *Robert Half Technology* provides information technology professionals. *Robert Half Legal* provides temporary, project, and full-time staffing of attorneys and specialized support personnel within law firms and corporate legal departments. *The Creative Group* provides project staffing in the advertising, marketing, and web design fields. *Protiviti* provides business consulting and internal audit services, and is a wholly owned subsidiary of the Company. Revenues are predominantly derived from specialized staffing services. The Company operates in North America, South America, Europe, Asia and Australia. The Company is a Delaware corporation.

Basis of Presentation. The unaudited Condensed Consolidated Financial Statements (Financial Statements) of the Company are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and the rules of the Securities and Exchange Commission (SEC). The comparative year-end condensed consolidated statement of financial position data presented was derived from audited financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary for a fair statement of the financial position and results of operations for the periods presented have been included. These Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of the Company for the year ended December 31, 2010, included in its annual report on Form 10-K. The results of operations for any interim period are not necessarily indicative of, nor comparable to, the results of operations for a full year.

Principles of Consolidation. The Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All intercompany balances have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As of September 30, 2011, such estimates included allowances for uncollectible accounts receivable, workers' compensation losses, and income and other taxes. Management estimates are also utilized in the Company's goodwill impairment assessment.

Advertising Costs. The Company expenses all advertising costs as incurred. Advertising costs for the three and the nine months ended September 30, 2011 and 2010, are reflected in the following table (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Advertising Costs	\$ 11,283	\$ 9,529	\$ 31,033	\$ 28,092

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

September 30, 2011

Note A Summary of Significant Accounting Policies (Continued)

Comprehensive Income. Comprehensive income includes net income and certain other items that are recorded directly to Stockholders' Equity. The Company's only source of other comprehensive income is foreign currency translation adjustments. The components of comprehensive income, net of tax, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income	\$ 44,168	\$ 20,624	\$ 107,298	\$ 41,279
Translation adjustments	(14,611)	16,523	(3,597)	1,848
Total comprehensive income	\$ 29,557	\$ 37,147	\$ 103,701	\$ 43,127

Internal-use Software. The Company capitalizes direct costs incurred in the development of internal-use software. Amounts capitalized are reported as a component of computer software within property and equipment. Internal-use software development costs capitalized for the three months and the nine months ended September 30, 2011 and 2010, are reflected in the following table (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Internal-use software development costs	\$ 5,717	\$ 3,052	\$ 13,710	\$ 7,013

Note B New Accounting Pronouncements

Fair Value Measurements and Disclosures. In May 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance to achieve common fair value measurement and disclosure requirements in GAAP and international financial reporting standards (IFRS). The amendments explain how to measure fair value and will improve the comparability of fair value measurement presented and disclosed in financial statements prepared in accordance with GAAP and IFRS. This authoritative guidance is to be applied prospectively and is effective during interim and annual periods beginning after December 15, 2011. The Company does not expect the adoption of this guidance to have a material effect on its Financial Statements.

Comprehensive Income. In June 2011, the FASB issued authoritative guidance which allows an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This authoritative guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. This authoritative guidance is to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Except for presentation requirements, the Company does not expect the adoption of this guidance to have a material effect on its Financial Statements.

Testing Goodwill for Impairment. In August 2011, the FASB issued authoritative guidance which is intended to simplify how entities test goodwill for impairment by permitting an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This authoritative guidance is to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company does not expect the adoption of this guidance to have a material effect on its Financial Statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

September 30, 2011

Note C Other Current Assets

Other current assets consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
Deposits in trusts for employee benefits and retirement plans	\$ 84,785	\$ 82,335
Other	56,378	59,126
	\$ 141,163	\$ 141,461

Note D Goodwill

The following table sets forth the activity in goodwill from December 31, 2010, through September 30, 2011 (in thousands):

	Goodwill
Balance as of December 31, 2010	\$ 189,787
Translation adjustments	(401)
Balance as of September 30, 2011	\$ 189,386

Note E Property and Equipment, Net

Property and equipment consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
Computer hardware	\$ 118,831	\$ 115,518
Computer software	251,518	232,657
Furniture and equipment	113,469	115,730
Leasehold improvements	114,329	116,241
Other	15,057	14,716
Property and equipment, cost	613,204	594,862
Accumulated depreciation	(506,780)	(491,211)
Property and equipment, net	\$ 106,424	\$ 103,651

Note F Accrued Payroll Costs and Retirement Obligations

Accrued payroll costs and retirement obligations consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
Payroll and benefits	\$ 194,295	\$ 153,329
Employee retirement obligations	84,342	80,716
Workers compensation	26,142	24,136
Payroll taxes	37,631	56,466
	\$ 342,410	\$ 314,647

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

September 30, 2011

Note F Accrued Payroll Costs and Retirement Obligations (Continued)

Included in employee retirement obligations is the following (in thousands):

	September 30, 2011	December 31, 2010
Deferred compensation plan and other benefits related to the Company's Chief Executive Officer	\$ 70,563	\$ 67,891

Note G Commitments and Contingencies

On September 10, 2004, Plaintiff Mark Laffitte, on behalf of himself and a putative class of salaried Account Executives and Staffing Managers, filed a complaint in California Superior Court naming the Company and three of its wholly owned subsidiaries as Defendants. The complaint alleges that salaried Account Executives and Staffing Managers based in California have been misclassified under California law as exempt employees and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt hourly employees. In addition, the Plaintiff seeks an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged misclassification of these employees as exempt employees. On September 18, 2006, the Court issued an order certifying a class with respect to claims for alleged unpaid overtime pay and related statutory penalties but denied certification with respect to claims relating to meal periods and rest time breaks. The Court has stayed the litigation until March 1, 2012. As disclosed in the Company's prior filings, the litigation was previously stayed pending a decision by the California Supreme Court in a case titled *Pellegrino, et al. v. Robert Half International Inc.*, which, as previously disclosed, the Company does not believe is a material pending legal proceeding. However, rulings by the California Supreme Court in *Pellegrino* or in *Harris v. Superior Court*, a case unrelated to the Company, may have a material adverse bearing on the Company's position in this litigation. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the Company's financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to continue to vigorously defend against the litigation.

On February 23, 2011, Plaintiff Isabel Apolinario, on behalf of herself and a putative class of salaried Account Executives and Staffing Managers, filed a complaint in California Superior Court naming the Company and three of its wholly owned subsidiaries as Defendants. The complaint alleges that salaried Account Executives and Staffing Managers based in California have been misclassified under California law as exempt employees and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt hourly employees. In addition, the Plaintiff seeks an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged misclassification of these employees as exempt employees. The Court has stayed this case until March 1, 2012. As disclosed in the Company's prior filings, the litigation was previously stayed pending decisions by the California Supreme Court in the *Pellegrino* and *Harris* cases referenced in the first paragraph of this Note G. Rulings by the California Supreme Court in *Pellegrino* or *Harris* may have a material adverse bearing on the Company's position in this litigation. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the Company's financial statements. The Company believes it has meritorious defenses to the allegations in this case, and the Company intends to vigorously defend against the litigation.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

September 30, 2011

Note G Commitments and Contingencies (Continued)

On September 24, 2007, Plaintiff Van Williamson, on behalf of himself and a putative class of salaried Account Executives and Staffing Managers, filed a complaint in California Superior Court naming the Company and three of its wholly owned subsidiaries as Defendants. The complaint alleges that salaried Account Executives and Staffing Managers based in California were not provided meal periods, paid rest periods, and accurate itemized wage statements. It seeks one hour of wages for each employee for each meal and rest period missed during the statutory liability period. It also seeks an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged failure to provide the meal and rest periods and accurate itemized wage statements. The allegations in the complaint are substantially similar to the allegations included in the complaint filed by Mark Laffitte described above. The Court stayed the litigation pending the California Supreme Court's decisions in two cases unrelated to the Company: *Brinker Restaurant Corp. v. Superior Court* and *Harris*, a case referenced previously in this Note G. A ruling in the *Harris* case, the *Brinker* case, and/or the *Pellegrino* case referenced previously in this Note G, may have a material adverse bearing on the Company's position in this litigation. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the Company's financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to continue to vigorously defend against the litigation.

On April 23, 2010, Plaintiffs David Opalinski and James McCabe, on behalf of themselves and a putative class of similarly situated Staffing Managers, filed a Complaint in the United States District Court for the District of New Jersey naming the Company and one of its subsidiaries as Defendants. The Complaint alleges that salaried Staffing Managers located throughout the U.S. have been misclassified as exempt from the Fair Labor Standards Act's overtime pay requirements. Plaintiffs seek an unspecified amount for unpaid overtime on behalf of themselves and the class they purport to represent. Plaintiffs also seek an unspecified amount for statutory penalties, attorneys' fees and other damages. On October 6, 2011, the Court granted the Company's motion to compel arbitration of the Plaintiffs' allegations. At this stage, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from these allegations and, accordingly, no amounts have been provided in the Company's financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to vigorously defend against the allegations.

On May 13, 2011, Plaintiff Michael Merchant filed a complaint in California Superior Court naming a division of the Company as a Defendant. The complaint alleges certain technical violations of the California Labor Code regarding the presentation formatting of wage statements of certain current and former hourly employees and seeks an unspecified amount for penalties, attorneys' fees, costs and expenses. The Company believes it has meritorious defenses to the allegations and has vigorously defended against the litigation. The parties to this action have entered into a verbal agreement that is expected to settle and resolve the claims included in the complaint. The actual settlement of the case is contingent upon the parties' execution of a formal written settlement agreement approved by the Court. Based on the settlement terms contained in the verbal agreement between the parties, the Company has determined that this litigation is not currently a material legal proceeding. Accordingly, the Company does not presently intend to make disclosures regarding this case in its future Securities and Exchange Commission filings.

The Company is involved in a number of other lawsuits arising in the ordinary course of business. While management does not expect any of these other matters to have a material adverse effect on the Company's results of operations, financial position or cash flows, litigation is subject to certain inherent uncertainties.

Legal costs associated with the resolution of claims, lawsuits and other contingencies are expensed as incurred.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

September 30, 2011

Note H Stockholders Equity

Stock Repurchase Program. As of September 30, 2011, the Company is authorized to repurchase, from time to time, up to 6.4 million additional shares of the Company's common stock on the open market or in privately negotiated transactions, depending on market conditions. The number and the cost of common stock shares repurchased during the nine months ended September 30, 2011 and 2010, are reflected in the following table (in thousands):

	Nine Months Ended September 30,	
	2011	2010
Common stock repurchased (in shares)	5,021	2,961
Common stock repurchased	\$ 134,026	\$ 76,753

Additional stock repurchases were made in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of exercise price and applicable statutory withholding taxes. Repurchases of shares are funded with cash generated from operations. The number and the cost of employee stock plan repurchases made during the nine months ended September 30, 2011 and 2010, are reflected in the following table (in thousands):

	Nine Months Ended September 30,	
	2011	2010
Employee stock plan repurchased (in shares)	216	250
Employee stock plan repurchased	\$ 6,365	\$ 6,435

The repurchased shares are held in treasury and are presented as if constructively retired. Treasury stock is accounted for using the cost method. Treasury stock activity for the nine months ended September 30, 2011 and 2010 (consisting of stock option exercises and the purchase of shares for the treasury) is presented in the unaudited Condensed Consolidated Statements of Stockholders' Equity.

Cash Dividends. The Company's Board of Directors may at their discretion declare and pay dividends upon the shares of the Company's stock either out of the Company's retained earnings or capital surplus. The cash dividends declared during the nine months ended September 30, 2011 and 2010, are reflected in the following table:

	Nine Months Ended September 30,	
	2011	2010
Cash dividends declared per share	\$.42	\$.39

Repurchases of shares and issuances of cash dividends are applied first to the extent of retained earnings and any remaining amounts are applied to capital surplus. As a result, the Company had no retained earnings as of September 30, 2011 and December 31, 2010.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

September 30, 2011

Note I Stock Plans

Under various stock plans, officers, employees and outside directors have received or may receive grants of restricted stock, stock units, stock appreciation rights or options to purchase common stock. Grants have been made at the discretion of the Committees of the Board of Directors. Grants generally vest over four years. Shares offered under the plan are authorized but unissued shares or treasury shares.

Options currently outstanding under the plans have an exercise price equal to the fair market value of the Company's common stock at the date of grant and consist of non-statutory stock options under the Internal Revenue Code, and generally have a term of 10 years.

Recipients of restricted stock do not pay any cash consideration to the Company for the shares, have the right to vote all shares subject to such grant, and for grants made prior to July 28, 2009, receive all dividends with respect to such shares on the dividend payment dates, whether or not the shares have vested as long as any performance condition has been met. Restricted stock grants made on or after July 28, 2009, contain forfeitable rights to dividends. Dividends for these grants are accrued on the dividend payment dates but are not paid until the shares vest, and dividends accrued for shares that ultimately do not vest are forfeited. Recipients of stock units do not pay any cash consideration for the units, do not have the right to vote, and do not receive dividends with respect to such units. Compensation expense for restricted stock and stock units is generally recognized on a straight-line basis over the vesting period, based on the stock's fair market value on the grant date. For restricted stock grants issued with performance conditions, compensation expense is recognized over each vesting tranche.

Note J Net Income Per Share

The calculation of net income per share for the three and nine months ended September 30, 2011 and 2010 is reflected in the following table (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Basic net income per share:				
Net income	\$ 44,168	\$ 20,624	\$ 107,298	\$ 41,279
Income allocated to participating securities - basic	615	525	1,564	1,849
Net income available to common stockholders - basic	\$ 43,553	\$ 20,099	\$ 105,734	\$ 39,430
Basic weighted average shares	139,449	142,230	141,118	143,182
Basic net income per share	\$.31	\$.14	\$.75	\$.28
Diluted net income per share:				
Net income	\$ 44,168	\$ 20,624	\$ 107,298	\$ 41,279
Income allocated to participating securities - diluted	612	525	1,558	1,849
Net income available to common stockholders - diluted	\$ 43,556	\$ 20,099	\$ 105,740	\$ 39,430
Basic weighted average shares	139,449	142,230	141,118	143,182
Dilutive effect of potential common shares	984	770	1,255	1,145
Diluted weighted average shares	140,433	143,000	142,373	144,327
Diluted net income per share	\$.31	\$.14	\$.74	\$.27

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

September 30, 2011

Note J Net Income Per Share (Continued)

Potential common shares include the dilutive effect of stock options, unvested performance-based restricted stock, restricted stock which contain forfeitable rights to dividends, and stock units. The weighted average diluted common shares outstanding for the three and nine months ended September 30, 2011 and 2010, excludes the effect of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Total number of anti-dilutive potential common shares	2,996	&		