Qumu Corp
Form 10-Q
November 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

x	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED September 30, 2013; OR
o	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: 000-20728

QUMU CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota	41-1577970
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7725 Washington Avenue South, Edina, MN 55439
(Address of principal executive offices)

952-683-7900
(Registrant’s telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act):
Large Accelerated Filer o Accelerated Filer x Non-Accelerated Filer o Smaller Reporting Company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes o No x
Common Stock outstanding at October 31, 2013 – 8,681,314 shares of $.01 par value Common Stock.

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FOR THE QUARTER ENDED SEPTEMBER 30, 2013

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PART 1 – FINANCIAL INFORMATION
Item 1. Financial Statements (unaudited)
QUMU CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(unaudited in thousands, except share data)

Assets	September 30, 2013	December 31, 2012
Current assets:		
Cash and cash equivalents	$32,108	$28,644
Marketable securities	16,242	21,496
Receivables, net of allowance for doubtful accounts and sales returns of $176 and $241, respectively	13,045	13,055
Inventories	4,550	6,036
Prepaid income taxes	3,589	3,851
Prepaid expenses and other current assets	3,116	2,628
Deferred income taxes - current	58	240
Total current assets	72,708	75,950
Property and equipment, net of accumulated depreciation and amortization of $15,496 and $14,399, respectively	5,524	5,966
Intangible assets, net of amortization of $1,923 and $858, respectively	8,927	9,964
Deferred income taxes - non-current	88	606
Other assets - non-current	3,287	3,077
Total assets	$90,534	$95,563
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	$4,764	$5,192
Accrued compensation	5,851	4,789
Other accrued expenses	804	838
Deferred revenue	10,193	8,941
Other current liabilities	31	47
Total current liabilities	21,643	19,807
Long-term liabilities:		
Deferred revenue - non-current	3,231	4,374
Income taxes payable - non-current	113	95
Other non-current liabilities	635	660
Total long-term liabilities	3,979	5,129
Total liabilities	25,622	24,936
Commitments and contingencies (Note 11)	—	—
Stockholders' equity:		
Preferred stock, $0.01 par value, authorized 250,000 shares, no shares issued and outstanding	—	—
Common stock, $0.01 par value, authorized 29,750,000 shares, issued and outstanding 8,661,314 and 8,653,932, respectively	87	87
Additional paid-in capital	58,033	56,706
Retained earnings	6,670	13,615
Accumulated other comprehensive income	122	116
Total Qumu stockholders' equity	64,912	70,524
Noncontrolling interest	—	103

Total stockholders' equity	64,912	70,627
Total liabilities and stockholders' equity	$90,534	$95,563

See accompanying notes to condensed consolidated financial statements.

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QUMU CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(unaudited - in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Product	$15,302	$16,647	$45,036	$46,227
Service	5,771	4,302	16,781	12,467
Total revenues	21,073	20,949	61,817	58,694
Cost of revenues:				
Product	8,195	8,685	23,192	24,011
Service	2,956	2,126	9,019	6,675
Total cost of revenues	11,151	10,811	32,211	30,686
Gross profit	9,922	10,138	29,606	28,008
Operating expenses:				
Research and development	2,774	2,958	9,356	8,957
Selling, general and administrative	8,044	9,077	26,687	27,139
Goodwill and intangible asset impairment charge	—	29,548	—	29,548
Amortization of purchased intangibles	158	284	471	795
Total operating expenses	10,976	41,867	36,514	66,439
Operating loss	(1,054)	(31,729)	(6,908)	(38,431)
Other income (expense):				
Interest, net	9	27	24	48
Gain (loss) on currency exchange	25	23	(190)	(62)
Other, net	2	14	2	14
Total other income (expense), net	36	64	(164)	—
Loss before income taxes	(1,018)	(31,665)	(7,072)	(38,431)
Income tax expense (benefit)	(1)	11,184	(2)	9,008
Net loss	(1,017)	(42,849)	(7,070)	(47,439)
Net loss attributable to the noncontrolling interest	—	81	125	216
Net loss attributable to Qumu	$(1,017)	$(42,768)	$(6,945)	$(47,223)
Net loss per basic share	$(0.12)	$(4.23)	$(0.80)	$(4.64)
Net loss per diluted share	$(0.12)	$(4.23)	$(0.80)	$(4.64)
Basic weighted average shares outstanding	8,697	10,112	8,689	10,168
Diluted weighted average shares outstanding	8,697	10,112	8,689	10,168

See accompanying notes to condensed consolidated financial statements.

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QUMU CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(unaudited in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net loss	$(1,017)	$(42,849)	$(7,070)	$(47,439)
Other comprehensive income (loss):				
Net changes in:				
Foreign currency translation adjustments	234	143	14	(45)
Change in net unrealized gain (loss) on marketable securities, net of tax	6	(4)	(8)	(10)
Total other comprehensive income (loss)	240	139	6	(55)
Total comprehensive loss	(777)	(42,710)	(7,064)	(47,494)
Net loss attributable to the noncontrolling interest	—	(81)	(125)	(216)
Foreign currency translation adjustments attributable to the noncontrolling interest	—	—	1	2
Comprehensive loss attributable to the noncontrolling interest	—	(81)	(124)	(214)
Comprehensive loss attributable to Qumu	$(777)	$(42,629)	$(6,940)	$(47,280)

See accompanying notes to condensed consolidated financial statements.

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QUMU CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited in thousands)

	Nine Months Ended September 30, 2013	2012
Cash flows from operating activities:		
Net loss	$(7,070)	$(47,439)
Adjustments to reconcile net loss to net cash used in operating activities:		
Goodwill and intangible assets impairment charge	—	29,548
Depreciation and amortization	2,320	3,397
Deferred income tax expense	703	9,039
Loss on disposal of property and equipment	27	46
Stock-based compensation	1,378	1,630
Changes in operating assets and liabilities:		
Receivables	1,669	(298)
Inventories	1,463	429
Prepaid income taxes / income taxes payable	281	(311)
Prepaid expenses and other assets	(328)	(384)
Trade accounts payable	(164)	545
Accrued compensation	869	341
Other accrued expenses and other current liabilities	152	(171)
Deferred revenue	(1,579)	1,283
Other long-term liabilities	(89)	669
Net cash used in operating activities	(368)	(1,676)
Cash flows from investing activities:		
Purchase of cost method investment	(350)	—
Purchases of marketable securities	(19,505)	(39,502)
Sales and maturities of marketable securities	24,750	9,500
Issuances of notes receivable	—	(500)
Purchases of property and equipment	(874)	(2,187)
Proceeds from sale of property and equipment	1	2
Net cash provided by (used in) investing activities	4,022	(32,687)
Cash flows from financing activities:		
Repurchases of common stock	—	(1,350)
Common stock repurchases to settle employee withholding liability	(53)	(28)
Payments of dividends	—	(5,180)
Principal payments on capital lease obligations	(17)	(15)
Proceeds from employee stock plans	4	—
Purchase of noncontrolling interest	(50)	—
Net cash used in financing activities	(116)	(6,573)
Effect of exchange rate changes on cash	(74)	(19)
Net increase (decrease) in cash and cash equivalents	3,464	(40,955)
Cash and cash equivalents, beginning of period	28,644	70,161
Cash and cash equivalents, end of period	$32,108	$29,206
Supplemental disclosures of net cash paid (received) during the period for:		
Income taxes	$(992)	$256

See accompanying notes to condensed consolidated financial statements.

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QUMU CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) Basis of Presentation and Nature of Business

The consolidated financial statements include the accounts of Qumu Corporation, its subsidiaries, and prior to July 3, 2013, its majority-owned joint venture, collectively hereinafter referred to as “Qumu” or the “Company.” All references to Qumu, Inc. shall mean the Company's subsidiary located in San Bruno, California. All intercompany accounts and transactions have been eliminated in consolidation.

Qumu’s enterprise content distribution software business provides the tools businesses need to create, manage, secure, distribute and measure the success of their videos and other rich content they create and publish. Qumu’s disc publishing business supplies customers in North America, Europe and Asia with industry-leading solutions that label, archive, distribute and protect content on CDs, DVDs and Blu-ray Discs.

In September 2013, the Board of Directors of Rimage Corporation approved a change in its name from Rimage Corporation to Qumu Corporation (Nasdaq: QUMU). The name change became effective on September 16, 2013.

The accompanying condensed consolidated financial statements are unaudited and have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, pursuant to the rules and regulations of the Securities and Exchange Commission. Pursuant to such rules and regulations, certain financial information and footnote disclosures normally included in a complete set of financial statements have been condensed or omitted. However, in the opinion of management, the financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position and results of operations and cash flows of the interim periods presented. Operating results for these interim periods are not necessarily indicative of results to be expected for the entire year, due to seasonal, operating and other factors. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K as of and for the year ended December 31, 2012.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates on items such as allowance for doubtful accounts and sales returns, inventory provisions, asset impairment charges, deferred tax asset valuation allowances, accruals for uncertain tax positions and warranty accruals. These estimates and assumptions are based on management’s best judgment. Management evaluates estimates and assumptions on an ongoing basis using its technical knowledge, historical experience and other factors, including consideration of the impact of the current economic environment. Management believes its assumptions are reasonable and adjusts such estimates and assumptions when facts and circumstances change. Illiquid credit markets, volatile equity, foreign currency and energy markets, and declines in business and consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Any required changes in those estimates will be reflected in the financial statements in future periods.

(2) Stock-Based Compensation

The Company granted 53,998 and 167,498 stock options during the three and nine months ended September 30, 2013, respectively, and granted 3,000 and 72,740 stock options during the comparable prior-year periods. The stock options granted during the nine months ended September 30, 2013 included 50,000 non-qualified options granted outside of any shareholder-approved plan to a newly hired senior management level employee as an inducement to accept employment with the Company. The non-qualified options granted outside a shareholder-approved plan were structured to mirror the terms of the options granted under the Company's Second Amended and Restated 2007 Stock Incentive Plan (the "2007 Plan"), a shareholder-approved plan, and are subject to a stock option agreement between the Company and the employee.

In September 2013, the Company completed an offer to exchange certain outstanding options to active non-executive employees. Eligible outstanding options were those that were granted before September 4, 2012 and had an exercise price of $13.50 per share or higher. Eligible employees participating in the exchange offer received new options determined by applying exchange ratios set forth in the exchange offer. The exchange ratios were calculated on an approximate “value-for-value” basis, meaning that the exchange ratios were intended to result in the grant of new options with an aggregate fair value approximately equal to the aggregate fair value of the eligible options they replace. The new options, which were issued under and subject to the terms of the Company's

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2007 Plan, will all expire on the later of (i) the expiration date of the surrendered options for which they were exchanged or (ii) the third anniversary of the exchange date, September 19, 2016, subject to earlier expiration upon termination of employee services. New options granted in the option exchange will not be vested on their date of grant regardless of whether the surrendered option was fully vested. The new options granted to employees under the offer will not vest at all until the first anniversary of the date of grant. At that time, each new option granted will then vest as to that portion of the underlying shares that would be vested under the original vesting schedule of the eligible options that had been exchanged. Approximately 182,000 outstanding options were exchanged for approximately 29,000 new option awards. Options granted pursuant to the exchange offer have an exercise price of $11.87 per share, the closing price of the Company's common stock on September 19, 2013. The exchange offer was considered a modification but did not result in a charge or other financial statement impact.

The Company granted 35,000 restricted stock units during the nine months ended September 30, 2013. The Company did not grant restricted stock awards or restricted stock units during the three months ended September 30, 2013. The Company granted 2,800 and 66,924 restricted stock awards and restricted stock units during the three and nine months ended September 30, 2012, respectively.

The Company recognized the following amounts related to its share-based payment arrangements (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Stock-based compensation cost charged against income, before income tax benefit:				
Stock options	$247	$310	$895	$1,068
Restricted stock and restricted stock units	140	181	483	562
Total stock-based compensation	$387	$491	$1,378	$1,630

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Stock-based compensation cost included in:				
Cost of revenues	$31	$31	$108	$103
Operating expenses	356	460	1,270	1,527
Total stock-based compensation	$387	$491	$1,378	$1,630

(3) Income Taxes

As of September 30, 2013 and December 31, 2012, the Company’s liability for gross unrecognized tax benefits totaled $1,036,000 and $1,017,000, respectively (excluding interest and penalties). Total accrued interest and penalties relating to unrecognized tax benefits amounted to $18,000 and $16,000 on a gross basis at September 30, 2013 and December 31, 2012, respectively. The Company does not currently expect significant changes in the amount of unrecognized tax benefits during the next twelve months.

(4) Marketable Securities

Marketable securities consisted of the following (in thousands):

	September 30, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit	$8,750	$—	$(7)	$8,743
Treasury bills	7,500	—	(1)	7,499
Total marketable securities	$16,250	$—	$(8)	$16,242

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	December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit	$6,500	$—	$(1)	$6,499
Treasury bills	14,996	1	—	14,997
Total marketable securities	$21,496	$1	$(1)	$21,496

Marketable securities are classified as either short-term or long-term in the condensed consolidated balance sheet based on their effective maturity date. All marketable securities as of September 30, 2013 and December 31, 2012 have original maturities ranging from three to 12 months and are classified as available-for-sale. Available-for-sale securities are recorded at fair value and any unrealized holding gains and losses, net of the related tax effect, are excluded from earnings and are reported as a separate component of accumulated other comprehensive income until realized. See Note 8, "Fair Value Measurements," for a discussion of inputs used to measure the fair value of the Company's available-for-sale securities.

(5) Inventories

Inventories consisted of the following (in thousands):

	September 30, 2013	December 31, 2012
Finished goods and demonstration equipment	$1,743	$2,677
Purchased parts and subassemblies	2,807	3,359
Total inventories	$4,550	$6,036

(6) Goodwill and Intangible Assets

Changes in the Company's intangible assets consisted of the following (in thousands):

	Useful Life	December 31, 2012	Additions/ Amortization	Other Net Adjustments	September 30, 2013
Customer relationships	10	$2,982	$—	$—	$2,982
Developed technology	6	3,357	—	—	3,357
In-process research and development	6	1,310	—	—	1,310
Trademarks / trade names	15	2,122	—	—	2,122
Software	5	1,051	—	28	1,079
		10,822	—	28	10,850
Less accumulated amortization		(858)	(1,050)	(15)	(1,923)
Total intangible assets, net		$9,964	$(1,050)	$13	$8,927

Amortization expense associated with the developed technology and software intangible assets included in cost of product revenues was $194,000 and $580,000 for the three and nine months ended September 30, 2013, respectively, compared to $269,000 and $805,000 for the three and nine months ended September 30, 2012. Amortization expense associated with other acquired intangible assets included in operating expenses as "Amortization of purchased intangibles," was $158,000 and $471,000 for the three and nine months ended September 30, 2013, respectively, compared to $284,000 and $795,000 for the three and nine months ended September 30, 2012, respectively.

The Company's cumulative goodwill impairment losses are as follows (in thousands):

	September 30, 2013		December 31, 2012	
	Gross Carrying Amount	Cumulative Impairment Losses	Gross Carrying Amount	Cumulative Impairment Losses
Goodwill	$22,218	$(22,218)	$22,218	$(22,218)

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On October 10, 2011, Qumu Corporation completed the acquisition of Qumu, Inc. and recognized $22.2 million of goodwill and $18.9 million of intangible assets attributable to the Company's enterprise content distribution software segment. During the three months ended September 30, 2012, the Company recorded a $22.2 million goodwill and $7.3 million intangible asset impairment charge associated with its enterprise content distribution software segment.

(7) Derivatives

The Company enters into forward foreign exchange contracts principally to hedge intercompany receivables denominated in Euros and Japanese Yen arising from sales to its subsidiaries in Germany and Japan, respectively. The Company's foreign exchange contracts do not qualify for hedge accounting. As a result, gains or losses related to mark-to-market adjustments on forward foreign exchange contracts are recognized as other income or expense in the Consolidated Statements of Operations during the period in which the instruments are outstanding. The fair value of forward foreign exchange contracts represents the amount the Company would receive or pay to terminate the forward exchange contracts at the reporting date and is recorded in other current assets or other current liabilities depending on whether the net amount is a gain or a loss. The Company does not utilize financial instruments for trading or other speculative purposes.

As the Company's foreign exchange agreement is subject to a master netting arrangement, the Company's policy is to record the fair value of outstanding foreign exchange contracts as other current assets or other current liabilities, based on whether outstanding contracts are in a net gain or loss position, respectively. See Note 8, "Fair Value Measurements," for additional information regarding the fair value measurements of derivative instruments related to foreign currency exchange contracts.

As of September 30, 2013, the Company had one outstanding foreign exchange contract with a notional amount totaling approximately $333,000. This contract matures during 2013 and bears an exchange rate of 1.3267 U.S. Dollars per Euro. As of September 30, 2013, the fair value of foreign exchange contracts resulted in a gross and net gain position of approximately $6,500, which is recorded in other current assets.

As of December 31, 2012, the Company had one outstanding foreign exchange contract with a notional amount totaling approximately $144,000. This contract matured during 2013 and bears an exchange rate of 1.2617 U.S. Dollars per Euro. As of December 31, 2012, the fair value of foreign exchange contracts resulted in a gross and net loss position of $8,300, which is recorded in other current liabilities.

Realized and unrealized gains or losses on derivative instruments related to foreign currency exchange contracts and their location on the Company's Condensed Consolidated Statements of Operations are as follows (in thousands):

		Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
Derivative Instrument	Location	2013	2012	2013	2012
Foreign exchange contracts	Gain (loss) on currency exchange	$4	$(23)	$(70)	$(113)

The net gains or losses from foreign exchange contracts reflected above were largely offset by the underlying transaction net gains and losses arising from the foreign currency exposures to which these contracts relate.

The gross fair market value of derivative instruments related to foreign currency exchange contracts and their location on the Company's Condensed Consolidated Balance Sheets are as follows as of September 30, 2013 and December 31, 2012, respectively (in thousands):

	Asset Derivatives		Liability Derivatives	
Derivative Instrument	Location	September 30, 2013	Location	September 30, 2013
Foreign exchange contracts	Other current assets	$6	Other current liabilities	$—

	Asset Derivatives		Liability Derivatives	
Derivative Instrument	Location	December 31, 2012	Location	December 31, 2012
Foreign exchange contracts	Other current assets	$—	Other current liabilities	$8

The Company enters into its foreign exchange contracts with a single counterparty, a financial institution. The Company manages its concentration of counterparty risk associated with foreign exchange contracts by periodically assessing relevant information

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such as the counterparty's current financial statements, credit agency reports and/or credit references. To further mitigate credit risk, the Company's Foreign Exchange Agreement with its counterparty includes a master netting arrangement, which allows netting of asset and liability positions of outstanding foreign exchange contracts if settlement were required.

(8) Fair Value Measurements

A hierarchy for inputs used in measuring fair value is in place that distinguishes market data between observable independent market inputs and unobservable market assumptions by the reporting entity.

The hierarchy is intended to maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the most observable inputs be used when available. Three levels within the hierarchy may be used to measure fair value:

- Level 1: Inputs are unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as interest rates and yield curves that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs are generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect an entity's own estimates of assumptions that market participants would use in pricing the asset or liability.

The Company's assets and liabilities measured at fair value on a recurring basis and the fair value hierarchy utilized to determine such fair values is as follows at September 30, 2013 and December 31, 2012, respectively (in thousands):

		Fair Value Measurements Using		
	Total Fair Value at September 30, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Marketable securities:				
Certificates of deposit	$8,743	$8,743	$—	$—
Treasury bills	7,499	7,499	—	—
Total marketable securities	16,242	16,242	—	—
Foreign currency forward exchange contracts	6	—	6	—
Total assets	$16,248	$16,242	$6	$—

		Fair Value Measurements Using		
	Total Fair Value at December 31, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Marketable securities:				
Certificates of deposit	$6,499	$6,499	$—	$—
Treasury bills	14,997	14,997	—	—
Total assets	$21,496	$21,496	$—	$—
Liabilities:				
Foreign currency forward exchange contracts	$8	$—	$8	$—
Total liabilities	$8	$—	$8	$—

Marketable securities are classified as Level 1 in the above table and are carried at fair value based on quoted market prices. The Company uses quoted market prices as all of the certificates of deposit and treasury bills have maturity dates within one year from the Company's date of purchase and trade in active markets.

Foreign currency forward exchange contracts are classified as Level 2 in the above table and are carried at fair value based on significant other observable market inputs, in this case, quoted foreign currency exchange rates. Such valuation represents the amount the Company would receive or pay to terminate the forward exchange contracts at the reporting date.

(9) Common Stock Repurchases and Dividends

Since October 2010, the Company's Board of Directors has approved common stock repurchases of up to 3,500,000 shares. Shares may be purchased at prevailing market prices in the open market or in private transactions, subject to market conditions, share price, trading volume and other factors. The repurchase program has been funded to date using cash on hand. The Company repurchased 65,176 and 164,792 shares of its common stock during the three and nine months ended September 30, 2012, respectively. The Company did not repurchase any shares of its common stock during the three or nine months ended September 30, 2013. As of September 30, 2013, the Company had 778,365 shares available for repurchase under the authorizations.

The Company declared and paid dividends of $1.7 million and $5.2 million during the three and nine months ended September 30, 2012, respectively. The Company did not declare or pay any dividends during the three or nine months ended September 30, 2013.

(10) Computation of Net Loss Per Share of Common Stock

Basic net loss per common share is determined by dividing net loss by the basic weighted average number of shares of common stock outstanding. Diluted net loss per common share includes the potentially dilutive effect of common shares issued in connection with outstanding stock options using the treasury stock method and the dilutive impact of restricted stock units. Stock options and restricted stock units to acquire weighted average common shares of 1,838,000 and 1,894,000 for the three and nine months ended September 30, 2013, respectively, have been excluded from the computation of diluted weighted average shares outstanding as their effect is anti-dilutive. Stock options to acquire weighted average common shares of 1,737,000 and 1,757,000 for the three and nine months ended September 30, 2012, respectively, have been excluded from the computation of diluted weighted average common shares as their effect is anti-dilutive. The following table identifies the components of net loss per basic and diluted share (in thousands, exce