DICE HOLDINGS, INC.
Form 10-Q
April 28, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period from to

Commission File Number: 001-33584

DICE HOLDINGS, INC.

(Exact name of Registrant as specified in its Charter)

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

(212) 725-6550

(Registrant s telephone number, including area code)

None

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

Large accelerated filer ¨ Non-accelerated filer ¨ Accelerated filer x Smaller Reporting Company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of April 20, 2010, 62,737,132 shares of common stock (Common Stock) of the Registrant were outstanding.

DICE HOLDINGS, INC.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DICE HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except per share data)

	March 31, 2010	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 39,975	$ 44,925
Marketable securities	2,689	4,214
Accounts receivable, net of allowance for doubtful accounts of $1,641 and $1,764	9,353	11,336
Deferred income taxes - current	807	812
Income tax receivable	1,683	906
Prepaid and other current assets	2,148	1,360
Total current assets	**56,655**	**63,553**
Fixed assets, net	5,742	5,719
Acquired intangible assets, net	45,975	48,536
Goodwill	140,145	142,638
Deferred financing costs, net of accumulated amortization of $3,126 and $2,918	1,667	1,875
Other assets	233	234
Total assets	**$ 250,417**	**$ 262,555**
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 8,801	$ 10,205
Deferred revenue	38,442	33,909
Current portion of long-term debt	1,000	1,000
Interest rate hedge liability - current	475	
Income taxes payable	1,027	601
Total current liabilities	**49,745**	**45,715**
Long-term debt	34,000	49,300
Deferred income taxes - non-current	10,090	10,886
Interest rate hedge liability - non-current		550
Accrual for unrecognized tax benefits	5,763	5,778
Other long-term liabilities	1,666	1,706
Total liabilities	**101,264**	**113,935**

Commitments and contingencies (Note 7)		
Stockholders equity		
Convertible preferred stock, $.01 par value, authorized 20,000 shares; issued and outstanding: 0 shares		
Common stock, $.01 par value, authorized 240,000; issued and outstanding: 62,737 and 62,502 shares, respectively	627	625
Additional paid-in capital	233,516	232,508
Accumulated other comprehensive loss	(13,791)	(10,013)
Accumulated deficit	(71,199)	(74,500)
Total stockholders equity	**149,153**	**148,620**
Total liabilities and stockholders equity	**$ 250,417**	**$ 262,555**

See accompanying notes to the condensed consolidated financial statements.

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DICE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share amounts)

	For the three months ended March 31, 2010	2009
Revenues	$ 26,827	$ 29,569
Operating expenses:		
Cost of revenues	2,107	1,830
Product development	1,190	795
Sales and marketing	10,131	9,436
General and administrative	4,286	4,996
Depreciation	972	921
Amortization of intangible assets	2,396	3,891
Change in acquisition related contingencies	(324)	
Total operating expenses	20,758	21,869
Operating income	6,069	7,700
Interest expense	(1,121)	(1,923)
Interest income	38	83
Other income	75	388
Income before income taxes	5,061	6,248
Income tax expense	1,760	2,390
Net income	$ 3,301	$ 3,858
Basic earnings per share	$ 0.05	$ 0.06
Diluted earnings per share	$ 0.05	$ 0.06
Weighted average basic shares outstanding	62,366	62,210
Weighted average diluted shares outstanding	66,900	65,660

See accompanying notes to the condensed consolidated financial statements.

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DICE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	For the three months ended March 31, 2010	2009
Cash flows provided by operating activities:		
Net income	$ 3,301	$ 3,858
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	972	921
Amortization of intangible assets	2,396	3,891
Deferred income taxes	(753)	(1,625)
Amortization of deferred financing costs	208	208
Share based compensation	826	1,475
Change in acquisition related contingencies	(324)	
Gain from interest rate hedges	(75)	(388)
Changes in operating assets and liabilities:		
Accounts receivable	1,834	2,416
Prepaid expenses and other assets	(805)	(80)
Accounts payable and accrued expenses	(540)	(1,794)
Income taxes receivable/payable	(312)	296
Deferred revenue	4,786	(2,460)
Other, net	70	97
Net cash provided by operating activities	11,584	6,815
Cash flows provided by (used for) investing activities:		
Purchases of fixed assets	(1,571)	(846)
Purchases of marketable securities	(504)	
Maturities and sales of marketable securities	2,011	2,500
Net cash provided by (used for) investing activities	(64)	1,654
Cash flows used for financing activities:		
Payments on long-term debt	(18,300)	(20,300)
Proceeds from long-term debt	3,000	
Other	182	
Net cash used for financing activities	(15,118)	(20,300)
Effect of exchange rate changes	(1,352)	(947)
Net change in cash and cash equivalents for the period	(4,950)	(12,778)
Cash and cash equivalents, beginning of period	44,925	55,144

Cash and cash equivalents, end of period	$ 39,975	$ 42,366

See accompanying notes to the condensed consolidated financial statements.

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DICE HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Dice Holdings, Inc. (DHI or the Company) have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been omitted and condensed pursuant to such rules and regulations. In the opinion of the Company s management, all adjustments (consisting of only normal and recurring accruals) have been made to present fairly the financial positions, the results of operations and cash flows for the periods presented. Although the Company believes that the disclosures are adequate to make the information presented not misleading, these financial statements should be read in conjunction with the Company s audited consolidated financial statements as of and for the year ended December 31, 2009 that are included in the Company s Annual Report on Form 10-K. Operating results for the three month period ended March 31, 2010 are not necessarily indicative of the results to be achieved for the full year.

Preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Management believes the most complex and sensitive judgments, because of their significance to the condensed consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results could differ materially from management s estimates. There have been no significant changes in the Company s assumptions regarding critical accounting estimates during the three month period ended March 31, 2010.

2. NEW ACCOUNTING STANDARDS

In October 2009, new accounting standards were issued in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) subtopic on Revenue Recognition-Multiple-Element Arrangements. The standards enable companies to account for certain products and services (deliverables) separately rather than as a combined unit. The standards are effective for the Company beginning on January 1, 2011, with early adoption permitted. The Company is currently evaluating the impact these standards will have on its financial statements.

3. FAIR VALUE MEASUREMENTS

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

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.

Level 3 Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Money market funds are included in cash and cash equivalents on the Condensed Consolidated Balance Sheets. The money market funds and marketable securities are valued using quoted prices in the market. The carrying amounts reported in the Condensed Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses approximate their fair values. The estimated fair value of long-term debt, as of March 31, 2010 and December 31, 2009 was approximately $35 million and $50 million, respectively.

The interest rate hedge liability is valued using the market approach, with the forward one-month LIBOR yield curve as the primary input. Valuations are obtained from two third-party providers, one of which is the swap counterparty.

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

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The Company has an obligation, to be paid in cash, to the former owners of AllHealthcareJobs if certain future operating and financial goals are met. The fair value of this contingent consideration is determined using an expected present value technique. Expected cash flows are determined using the probability-weighted average of possible outcomes that would occur should certain events and certain financial metrics be reached. There is no market data available to use in valuing the contingent consideration; therefore, the Company developed its own assumptions related to the future sales performance of the AllHealthcareJobs business to estimate the fair value of this liability. The liability for the contingent consideration was established at the time of acquisition in June 2009 and is evaluated at each reporting period. During the three months ended March 31, 2010, the liability for contingent consideration was reduced by $324,000 due to the sales performance of the business and expectations of future sales being lower than the initial assumptions. The decrease in the liability resulted in a gain, which is included in Change in acquisition related contingencies on the Condensed Consolidated Statements of Operations. There was no impairment of goodwill or intangibles assets indicated.

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

	As of March 31, 2010 Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	$ 17,067	$	$	$ 17,067
Marketable securities	2,689			2,689
Interest rate hedge liability - current		475		475
Contingent consideration to be paid in cash for the acquisition of AllHealthcareJobs			539	539

	As of December 31, 2009 Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	$ 23,655	$	$	$ 23,655
Marketable securities	4,214			4,214
Interest rate hedge liability - non-current		550		550
Contingent consideration to be paid in cash for the acquisition of AllHealthcareJobs			863	863

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

The Company determines whether the carrying value of recorded goodwill is impaired on an annual basis or more frequently if indicators of potential impairment exist. The impairment test for goodwill from the 2005 Dice Inc. acquisition is performed annually as of August 31 and the impairment test for goodwill from the 2006 eFinancialCareers acquisition and the 2009 AllHealthcareJobs acquisition is performed annually as of October 31. The first step of the impairment review process compares the fair value of the reporting unit in which the goodwill resides to the carrying value of that reporting unit. The second step measures the amount of impairment loss, if any, by comparing the implied fair value of the reporting unit goodwill with its carrying amount. The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying

the approach used to determine the value of the reporting units. Fair values of each reporting unit are determined either by using a discounted cash flow methodology or by using a combination of a discounted cash flow methodology and a market comparable method. The discounted cash flow methodology is based on projections of the amounts and timing of future revenues and cash flows, assumed discount rates and other assumptions as deemed appropriate. Factors such as historical performance, anticipated market conditions, operating expense trends and capital expenditure requirements are considered. Additionally, the discounted cash flows analysis takes into consideration cash expenditures for product development, other technological updates and advancements to the websites and investments to improve the candidate databases. The market comparable method indicates the fair value of a business by comparing it to publicly traded companies in similar lines of business or to comparable transactions or assets. Considerations for factors such as size, growth, profitability, risk and return on investment are analyzed and compared to the comparable businesses and adjustments are made. A market value of invested capital of the publicly traded companies is calculated and then applied to the entity s operating results to arrive at an estimate of value.

The indefinite-lived acquired intangible assets include the Dice trademarks and brand name. The Company determines whether the carrying value of recorded indefinite-lived acquired intangible assets is impaired on an annual basis or more frequently if indicators of potential impairment exist. The annual impairment test is performed annually as of August 31. The impairment review process compares the fair value of the indefinite-lived acquired intangible assets to its carrying value. If the carrying value exceeds the fair value, an impairment loss is recorded. The determination of whether or not indefinite-lived acquired intangible assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the indefinite-lived acquired intangible assets. Fair values are determined using a profit allocation methodology which estimates the value of the trademark and brand name by capitalizing the profits saved because the company owns the asset. Factors such as historical performance, anticipated market conditions, operating expense trends and capital expenditure requirements are considered. Changes in Company strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets.

4. MARKETABLE SECURITIES

DHI s marketable securities are stated at fair value. The following tables summarize the Company s marketable securities as of March 31, 2010 and December 31, 2009 (in thousands):

		March 31, 2010		
	Maturity	Gross Amortized Cost	Gross Unrealized Loss	Estimated Fair Value
U.S. Government and agencies	Within one year	$ 2,490	$ (5)	$ 2,485
U.S. Government and agencies	1 to 5 years	204		204
Total		$ 2,694	$ (5)	$ 2,689

		December 31, 2009		
	Maturity	Gross Amortized Cost	Gross Unrealized Gain	Estimated Fair Value
U.S. Government and agencies	Within one year	$ 4,203	$	$ 4,203
Corporate debt securities	1 to 5 years	11		11
Total		$ 4,214	$	$ 4,214

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5. ACQUIRED INTANGIBLE ASSETS, NET

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

	As of March 31, 2010				
	Total Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Acquired Intangible Assets, Net	Weighted Average Amortization Period
Technology	$ 12,558	$ (12,413)	$ (61)	$ 84	3.7 years
Trademarks and brand names- Dice	39,000			39,000	Indefinite
Trademarks and brand names- Other	7,270	(4,612)	(560)	2,098	4.6 years
Customer lists	36,943	(32,336)	(746)	3,861	4.6 years
Candidate database	18,982	(18,004)	(46)	932	3.5 years
Order backlog	17	(17)			0.5 years
Acquired intangible assets, net	$ 114,770	$ (67,382)	$ (1,413)	$ 45,975	

	As of December 31, 2009						
	Original Cost	Acquisition of AllHeathcare Jobs	Total Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Acquired Intangible Assets, Net	Weighted Average Amortization Period
Technology	$ 12,420	$ 138	$ 12,558	$ (12,396)	$ (61)	$ 101	3.7 years
Trademarks and brand names- Dice	39,000		39,000			39,000	Indefinite
Trademarks and brand names- Other	6,400	870	7,270	(4,279)	(474)	2,517	4.6 years
Customer lists	36,361	582	36,943	(30,483)	(667)	5,793	4.6 years
Candidate database	17,440	1,542	18,982	(17,811)	(46)	1,125	3.5 years
Order backlog		17	17	(17)			0.5 years
Acquired intangible assets, net	$ 111,621	$ 3,149	$ 114,770	$ (64,986)	$ (1,248)	$ 48,536	

Based on the carrying value of the acquired finite lived intangible assets recorded as of March 31, 2010, and assuming no subsequent impairment of the underlying assets, the estimated future amortization expense is as follows (in thousands):

April 1, 2010 through December 31, 2010	$ 5,066
2011	1,568
2012	274
2013	67

6. INDEBTEDNESS

In March 2007, the Company entered into an Amended and Restated Financing Agreement (the Amended and Restated Credit Facility) which provides for a revolving credit facility of $75.0 million and a term loan facility of $125.0 million, maturing in March 2012. Borrowings under the facility bear interest, at the Company s option, at the LIBOR rate plus 3.25% or reference rate plus 1.75%. Quarterly payments of $250,000 of principal are required on the term loan facility. Payments of principal on the term loan facility result in permanent reductions to that facility. The borrowing capacity of the revolving credit facility is reduced by reserves against our interest rate swaps, which are determined by the swap counterparty. The Amended and Restated Credit Facility contains certain financial and other covenants. The Company was in compliance with all such covenants as of March 31, 2010.

Payments of principal of $15.3 million on the term loan were made during the three month period ended March 31, 2010.

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The amounts borrowed and terms of the financing agreement as of March 31, 2010 and December 31, 2009 are as follows (dollars in thousands):

	March 31, 2010	December 31, 2009
Maximum available under revolving credit facility	$ 74,500	$ 74,400
Maximum available under term loan facility	$ 35,000	$ 50,300
Amounts Borrowed:		
LIBOR rate loans	$ 35,000	$ 50,300
Reference rate loans		
Total borrowed	$ 35,000	$ 50,300
Interest rates:		
LIBOR option:		
Interest margin	3.25%	3.25%
Minimum LIBOR rate	3.00%	3.00%
Actual interest rates	6.25%	6.25%

Future maturities as of March 31, 2010 are as follows (in thousands):

April 1, 2010 through December 31, 2010	$ 750
2011	1,000
2012	33,250
Total minimum payments	$ 35,000

As of March 31, 2010, the Company has an interest rate swap agreement in place which fixes the interest rate on $20.0 million of LIBOR-based borrowings at 6.37% until February 11, 2011. The swap is used by the Company for the purpose of interest rate risk management. The fair value of the swap agreement is reflected as interest rate hedge liabilities in the Condensed Consolidated Balance Sheets. The Company does not apply hedge accounting under the Derivatives and Hedging topic of the FASB ASC. The change in the fair value of the swap agreements is included in Other income in the Condensed Consolidated Statements of Operations. A current liability of $475,000 is reflected in the Condensed Consolidated Balance Sheets as of March 31, 2010.

7. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases equipment and office space under operating leases expiring at various dates through February 2020. Future minimum lease payments under non-cancelable operating leases as of March 31, 2010 are as follows (in thousands):

April 1, 2010 through December 31, 2010	$ 973
2011	1,248
2012	714
2013	384
2014	384
2015 and thereafter	2,102
Total minimum payments	$ 5,805

Rent expense was $375,000, and $332,000 for the three month periods ended March 31, 2010 and 2009, respectively, and is included in General and administrative expense on the Condensed Consolidated Statements of Operations.

Litigation

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

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8. COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net income	$ 3,301	$ 3,858
Foreign currency translation adjustment, net of tax of $0, and $0	(3,775)	(2,192)
Unrealized losses on marketable securities, net of tax of $(2), and $(8)	(3)	(12)
Total other comprehensive income (loss)	(3,778)	(2,204)
Comprehensive income (loss)	$ (477)	$ 1,654

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

	March 31, 2010	December 31, 2009
Foreign currency translation adjustment, net of tax of $1,336 and $1,336	$ (13,788)	$ (10,013)
Unrealized losses on marketable securities, net of tax of $(2) and $0	(3)	
Total accumulated other comprehensive income (loss), net	$ (13,791)	$ (10,013)

9. STOCK BASED COMPENSATION

The Company has two plans (the 2005 Plan and 2007 Plan) under which it may grant stock-based awards to certain employees, directors and consultants of the Company and its subsidiaries. Compensation expense for stock-based awards made to employees, directors and consultants in return for service is recorded in accordance with Compensation-Stock Compensation of the FASB ASC. The expense is measured at the grant-date fair value of the award and recognized as compensation expense on a straight-line basis over the service period, which is the vesting period. The Company estimates forfeitures that it expects will occur and records expense based upon the number of awards expected to vest.

The Company recorded stock based compensation expense of $826,000 and $1.5 million during the three month periods ended March 31, 2010 and 2009, respectively. At March 31, 2010, there was $9.0 million of unrecognized compensation expense related to unvested awards, which is expected to be recognized over a weighted-average period of approximately 2.0 years.

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

Grant Date	Number of shares issued	Awarded to	Fair value of common stock	Vesting Period
April 18, 2008	16,000	Board members	$ 8.09	1 year
May 21, 2009	45,000	Board members	$ 4.15	1 year
February 10, 2010	120,000	Employees	$ 6.08	4 years

A summary of the status of restricted stock awards as of March 31, 2010 and 2009, and the changes during the three month periods then ended is presented below:

	Three Months Ended March 31, 2010		Three Months Ended March 31, 2009	
	Shares	Weighted Average Fair Value at Grant	Shares	Weighted Average Fair Value at Grant
Non-vested at beginning of the period	45,000	$ 4.15	16,000	$ 8.09
Granted- Restricted Stock	120,000	$ 6.08		$
Non-vested at end of period	165,000	$ 5.55	16,000	$ 8.09

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
The weighted average fair value of options granted	$ 2.56	$ 1.54
Dividend yield	0.00%	0.00%
Weighted average risk free interest rate	1.44%	1.38%
Weighted average expected volatility	48.91%	66.00%
Expected life (in years)	4.6	4.6

During the three months ended March 31, 2010 the Company granted the following stock options with exercise prices as follows:

Grant Date	Number of stock options issued	Fair value of common stock	Exercise price	Intrinsic value
February 10, 2010	1,490,800	$ 6.08	$ 6.08	$
February 15, 2010	20,000	$ 6.31	$ 6.31	$

A summary of the status of options granted as of March 31, 2010 and 2009, and the changes during the three month periods then ended is presented below:

	Three Months Ended March 31, 2010 Options	Three Months Ended March 31, 2010 Weighted Average Exercise Price	Three Months Ended March 31, 2009 Options	Three Months Ended March 31, 2009 Weighted Average Exercise Price
Options outstanding at beginning of the period	11,451,740	$ 2.82	9,653,074	$ 2.77
Granted	1,510,800	$ 6.08	1,707,900	$ 2.88
Exercised	(115,373)	$ 1.27		$
Forfeited	(4,000)	$ 4.03	(32,252)	$ 4.85
Options outstanding at end of period	12,843,167	$ 3.22	11,328,722	$ 2.78
Exercisable at end of period	8,623,107	$ 2.26	6,671,280	$ 1.90

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The following table summarizes information about options outstanding as of March 31, 2010:

Exercise Price	Options Outstanding Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Options Exercisable Number Exercisable
$0.20 - $0.99	3,779,682	5.4	3,779,682
$1.00 - $2.99	3,918,335	5.6	2,636,113
$4.00 - $5.99	954,669	6.6	687,042
$6.00 - $8.99	4,150,681	6.1	1,497,883
$10.00 - $10.99	39,800	7.7	22,387
	12,843,167		8,623,107

10. SEGMENT INFORMATION

The Company has two reportable segments: DCS Online (which includes Dice.com and ClearanceJobs.com) and eFinancialCareers. Management has organized its reportable segments based upon similar geographic locations and similar economic characteristics. Both DCS Online and eFinancialCareers generate revenue from sales of recruitment packages. In addition to these two reportable segments, the Company has other businesses and activities that individually are not more than 10% of consolidated revenues, net income, or total assets. These include Targeted Job Fairs, JobsintheMoney.com, AllHealthcareJobs (beginning June 2009), and eFinancialCareers North American operations and are reported in the Other category. The Company s foreign operations are comprised of eFinancialCareers, whose business is principally in Europe, Middle East and Asia Pacific. The following table shows the segment information for the three month periods ended March 31, 2010 and 2009 (in thousands):

	Three Months Ended March 31, 2010	2009
Revenues:		
DCS Online	$ 19,092	$ 21,995
eFC	6,123	5,922
Other	1,612	1,652
Total revenues	$ 26,827	$ 29,569
Depreciation:		
DCS Online	$ 856	$ 828
eFC	101	53
Other	15	40
Total depreciation	$ 972	$ 921
Amortization of intangible assets:		
DCS Online	$ 1,215	$ 2,777
eFC	768	936
Other	413	178
Total amortization of intangible assets	$ 2,396	$ 3,891

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	Three Months Ended March 31, 2010	2009
Operating income (loss):		
DCS Online	$ 4,756	$ 5,976
eFC	1,410	1,576
Other	(97)	148
Operating income	6,069	7,700
Interest expense	(1,121)	(1,923)
Interest income	38	83
Other income	75	388
Income from continuing operations before income taxes	$ 5,061	$ 6,248
Capital expenditures:		
DCS Online	$ 832	$ 833
eFC	93	10
Other	103	3
Total capital expenditures	$ 1,028	$ 846

The following table shows the segment information as March 31, 2010 and December 31, 2009 (in thousands):

	March 31, 2010	December 31, 2009
Total assets:		
DCS Online	$ 150,894	$ 160,513
eFinancial Careers	84,811	86,854
Other	14,712	15,188
Total assets	$ 250,417	$ 262,555

The following table shows the change in the carrying amount of goodwill by reportable segment as of December 31, 2009 and the changes in goodwill for the three month period ended March 31, 2010 (in thousands):

	DCS Online	eFC	Other	Total
Balance, December 31, 2009	$ 84,778	$ 47,357	$ 10,503	$ 142,638
Foreign currency translation adjustment		(2,493)		(2,493)
Balance, March 31, 2010	$ 84,778	$ 44,864	$ 10,503	$ 140,145

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11. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed based on the weighted average number of shares of common stock outstanding. Diluted EPS is computed based on the weighted average number of shares of common stock outstanding plus common stock equivalents assuming exercise of stock options and conversion of outstanding convertible securities, where dilutive. Options to purchase 457,000 and 5.2 million shares were outstanding during the periods ended March 31, 2010 and 2009, respectively, but were excluded from the calculation of diluted EPS for the periods then ended because the options exercise price was greater than the average market price of the common shares. The following is a calculation of basic and diluted earnings per share and weighted average shares outstanding for continuing operations and discontinued operations (in thousands except per share amounts):

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Income attributable to common stockholders from continuing operations - basic and diluted	$ 3,301	$ 3,858
Weighted average shares outstanding - basic	62,366	62,210
Add shares issuable upon exercise of stock options	4,534	3,450
Weighted average shares outstanding - diluted	66,900	65,660
Basic earnings per share	$ 0.05	$ 0.06
Diluted earnings per share	$ 0.05	$ 0.06

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

The following discussion should be read in conjunction with our condensed consolidated financial statements and the related notes included elsewhere in this report.

Information contained herein contains forward-looking statements. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as may, will, should, believe, expect, anticipate, intend, plan, estimate or similar expressions. These statements are based on assumptions that we have made in light of our experienc in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, competition from existing and future competitors, failure to maintain and develop our reputation and brand recognition, failure to increase or maintain the number of customers who purchase recruitment packages, cyclicality or downturns in the economy or industries we serve, and the failure to attract qualified professionals or grow the number of qualified professionals who use our websites. These factors and others are discussed in more detail in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, under the headings Risk Factors, Forward-Looking Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations. You should keep in mind that any forward-looking statement made by us herein, or elsewhere, speaks only as of the date on which we make it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no obligation to update any forward-looking statements after the date hereof, except as required by federal securities laws.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy and information statements and other material information concerning us are available free of charge on the Investor Relations page of our website at www.diceholdingsinc.com.

Overview

We are a leading provider of specialized career websites for select professional communities. We target employment categories in which there is a long-term scarcity of highly skilled, highly qualified professionals relative to market demand. Our career websites serve as online marketplaces where employers and recruiters find and recruit prospective employees, and where professionals find relevant job opportunities and information to further their careers. Each of our career websites offers job postings, content, career development and recruiting services tailored to the specific needs of the professional community that it serves. Our largest websites by revenue are Dice.com, the leading career website in the United States for technology professionals, and eFinancialCareers.com, the leading global career website for financial services professionals.

We have identified two reportable segments based on our operating structure. Our reportable segments include DCS Online (which includes Dice.com and ClearanceJobs.com) and eFinancialCareers international business. eFinancialCareers North American operations, AllHealthcareJobs (beginning in June 2009), Targeted Job Fairs, and JobsintheMoney.com do not meet certain quantitative thresholds, and therefore are reported in aggregate in the Other segment.

Our Revenues and Expenses

We derive the majority of our revenues from customers who pay fees, either annually, quarterly or monthly, to post jobs on our websites and to access our searchable databases of resumes. Our fees vary by customer based on the number of individual users of our databases of resumes, the number and type of job postings purchased and the terms of the package purchased. In the United States, we sell recruitment packages that include both access to our databases of resumes and job posting capabilities. Internationally, our job postings and access to our resume databases are often sold separately and not as a single package.

We believe the key metrics that are material to an analysis of our U.S. businesses are our total number of recruitment package customers and the revenue, on average, that these customers generate. Similar metrics are important to our international businesses. At March 31, 2010, Dice.com had approximately 6,400 total recruitment package customers and as of the same date our other websites collectively served approximately 2,300 customers, including some customers who are also customers of Dice.com. Deferred revenue is another key metric of our business as it indicates a level of sales already made that will be recognized as revenue in the future. Deferred revenue reflects the impact of our ability to sign customers to long-term contracts. We recorded deferred revenue of $38.4 million and $33.9 million at March 31, 2010 and December 31, 2009, respectively.

Our ability to continue to grow our revenues will largely depend on our ability to grow our customer bases in the markets in which we operate by acquiring new recruitment package customers while retaining a high proportion of the customers we currently serve, and to expand the breadth of services our customers purchase from us. We continue to make investments in our business and infrastructure to help us achieve our long-term growth objectives.

Our revenues are generated primarily from servicing customers seeking to recruit qualified professionals in the technology and finance sectors. Accordingly, significant increases or decreases in the unemployment rate, labor shortages or a decrease in available jobs, specifically in the technology, finance, healthcare, and other vertical industries we serve, can have a material affect on our revenues and results of operations. The significant increase in the unemployment rate and general reduction in recruitment activity during late 2008 and throughout 2009 negatively impacted our revenues and income. During the first quarter of 2010, total revenues declined 9% as compared to the first quarter of 2009. The decline in revenues is a result of reduced need for our services which impacted the number of companies using our primary services. We began to see improvement in recruitment activity during the latter half of 2009 and that improvement has continued in the first quarter in 2010. Our revenues in the first quarter of 2010 were essentially flat with the fourth quarter of 2009, and we saw an increase in the number of customers served at Dice.com from approximately 5,900 customers to approximately 6,400 customers during the first quarter of 2010.

Any slowdown in recruitment activity that occurs will negatively impact our revenues and results of operations. Alternatively, a decrease in the unemployment rate or a labor shortage, including as a result of an increase in job turnover, generally means that employers (including our customers) are seeking to hire more individuals, which would generally lead to more job postings and have a positive impact on our revenues and results of operations. Based on historical trends, improvements in labor markets and the need for our services generally lag behind overall economic improvements. Additionally, there has historically been a lag from the time customers begin to increase purchases of our services and the impact to our revenues due to the recognition of revenue occurring over the length of the contract, which can be several months to a year.

Other material factors that may affect our results of operations include our ability to attract qualified professionals to our websites and our ability to attract customers with relevant job opportunities. The more qualified professionals that use our websites, the more attractive our websites become to employers, which in turn makes them more likely to become our customers, resulting in positive impacts on our results of operations. If we are unable to continue to attract qualified professionals to our websites, our customers may no longer find our services attractive, which could have a negative impact on our results of operations. Additionally, in order to attract qualified professionals to our websites we need to ensure that our websites remain relevant.

The largest components of our expenses are personnel costs and marketing and sales expenditures. Personnel costs consist of salaries, benefits, and incentive compensation for our employees, including commissions for salespeople. Personnel costs are categorized in our statements of operations based on each employee s principal function. Marketing and sales expenditures primarily consist of online advertising and direct mail programs.

Critical Accounting Policies

This discussion of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue, goodwill and intangible assets, stock-based compensation and income taxes. We based our estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that we believe are reasonable. In many cases, we could reasonably have used different accounting policies and estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Our actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenues when persuasive evidence of an agreement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Payments received in advance of services being rendered are recorded as deferred revenue and recognized generally on a straight-line basis over the service period. We generate a majority of our revenue from the sale of recruitment packages.

Recruitment package revenues are derived from the sale to recruiters and employers of a combination of job postings and access to a searchable database of candidates on Dice.com, Clearancejobs.com, eFinancialCareers.com and AllHealthcareJobs.com. Certain of our arrangements include multiple deliverables, which consist of access to job postings and access to a searchable database of resumes. We consider a delivered item as a separate unit of accounting if it has value to the customer on a standalone basis, if there is objective and reliable evidence of the fair value of the undelivered elements, and, if the arrangement includes a general right of return

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relative to the delivered element, delivery or performance of the undelivered element is considered probable and is substantially within our control. Services to customers buying a package of available job postings and access to the database are delivered over the same period and revenue is recognized ratably over the length of the underlying contract, typically from one to twelve months. Revenue from the sale of classified job postings is recognized ratably over the length of the contract or the period of actual usage.

Fair Value of Acquired Businesses

We completed the acquisition of Dice Inc. in 2005, eFinancialGroup in 2006, and AllHealthcareJobs in 2009. FASB ASC topic on Business Combinations requires acquired businesses are to be recorded at fair value by the acquiring entity. The Business Combinations Topic also requires that intangible assets that meet the legal or separable criterion be separately recognized on the financial statements at their fair value, and provides guidance on the types of intangible assets subject to recognition. A significant component of the value of these acquired businesses has been allocated to intangible assets.

The significant assets acquired and liabilities assumed from our acquisitions consist of intangible assets, goodwill, deferred revenue and contingent consideration. Fair values of the technology and trademarks were determined using a profit allocation methodology which estimates the value of the trademark and brand name by capitalizing the profits saved because the Company owns the asset. Fair values of the customer lists were estimated using the discounted cash flows method based on projections of the amounts and timing of future revenues and cash flows, discount rates and other assumptions as deemed appropriate. Fair values of the candidate database were determined based on the estimated cost to acquire a seeker applied to the number of active seekers as of the acquisition date. The acquired deferred revenue is recorded at fair value as it represents an assumed legal obligation. We estimated our obligation related to deferred revenue using the cost build-up approach which determines fair value by estimating the costs related to fulfilling the obligation plus a reasonable profit margin. The estimated costs to fulfill our deferred revenue obligation were based on our expected future costs to fulfill our obligation to our customers. Contingent consideration is an obligation to transfer assets or equity interests to the former owners if certain future operating and financial goals are met. The fair value of the contingent consideration is determined based on management s estimation that certain events will occur and certain financial metrics will be reached. Goodwill is the amount of purchase price paid for an acquisition that exceeds the estimated fair value of the net identified tangible and intangible assets acquired.

The remaining useful life of the technology was determined through review of the technology roadmaps, the pattern of projected economic benefit of each existing technology asset, and the time period over which the majority of the undiscounted cash flows are projected to be achieved. The remaining useful life of the trademarks and brand names was determined based on the estimated time period over which each asset is projected to be used, the pattern of projected economic benefit, and the time period over which the majority of the undiscounted cash flows are projected to be achieved. The remaining useful life of the customer list was determined based on the projected customer attrition rates, the pattern of projected economic benefit of each list and the time period over which the majority of the undiscounted cash flows are projected to be achieved.

Determining the fair value for these specifically identified intangible assets involves significant professional judgment, estimates and projections related to the valuation to be applied to intangible assets such as customer lists, technology and trade names. The subjective nature of management s assumptions increases the risk associated with estimates surrounding the projected performance of the acquired entity. Additionally, as we amortize the finite-lived intangible assets over time, the purchase accounting allocation directly impacts the amortization expense we record on our financial statements.

Goodwill

As a result of our various acquisitions, we have recorded goodwill. We record goodwill when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired.

We determine whether the carrying value of recorded goodwill is impaired on an annual basis or more frequently if indicators of potential impairment exist. The first step of the impairment review process compares the fair value of the reporting unit in which the goodwill resides to the carrying value of that reporting unit. The second step measures the amount of impairment loss, if any, by comparing the implied fair value of the reporting unit goodwill with its carrying amount. Our annual impairment test for the goodwill from the 2005 Dice Acquisition is performed as of August 31 by comparing the goodwill recorded from the 2005 Acquisition to the fair value of the DCS Online and Targeted Job Fairs reporting units. The annual impairment test performed as of August 31, 2009 resulted in no impairment. The goodwill at the eFinancialCareers international business and eFinancialCareers U.S. business, was the result of the eFinancialGroup Acquisition in October 2006. Goodwill at the AllHealthcareJobs reporting unit is the result of the acquisition of AllHealthcareJobs assets in June 2009. The annual test of impairment of goodwill from the eFinancialGroup and AllHealthcareJobs acquisitions is performed as of October 31 by comparing the goodwill recorded from these acquisitions to the fair value of the respective reporting units. The annual impairment test performed as of October 31, 2009 resulted in no impairment.

The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of our reporting units. Fair values are determined either by using a discounted cash flow methodology or by using a combination of a discounted cash flow methodology and a market comparable method. The discounted cash flow methodology is based on projections of the amounts and timing of future revenues and cash flows, assumed discount rates and other assumptions as deemed appropriate. We consider factors such as historical performance, anticipated market conditions, operating expense trends and capital expenditure requirements. Additionally, the discounted cash flows analysis takes into consideration cash expenditures for product development, other technological updates and advancements to our websites and investments to improve our candidate databases. The market comparable method indicates the fair value of a business by comparing it to publicly traded companies in similar lines of business or to comparable transactions or assets. Considerations for factors such as size, growth, profitability, risk and return on investment are analyzed and compared to the comparable businesses and adjustments are made. A market value of invested capital of the publicly traded companies is calculated and then applied to the entity s operating results to arrive at an estimate of value. Changes in our strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of goodwill.

Indefinite-Lived Acquired Intangible Assets

The indefinite-lived acquired intangible assets include the Dice trademarks and brand name. The Dice.com trademark, trade name and domain name is one of the most recognized names of online job boards. Since Dice s inception in 1991, the brand has been recognized as a leader in recruiting and career development services for technology and engineering professionals. Currently, the brand is synonymous with the most specialized online marketplace for industry-specific talent. The brand has a significant online and offline presence in online recruiting and career development services. Considering the recognition and the awareness of the Dice brand in the talent acquisition and staffing services market, Dice s long operating history and the intended use of the Dice brand, the remaining useful life of the Dice.com trademark, trade name and domain name was determined to be indefinite.

We determine whether the carrying value of recorded indefinite-lived acquired intangible assets is impaired on an annual basis or more frequently if indicators of potential impairment exist. The impairment review process compares the fair value of the indefinite-lived acquired intangible assets to its carrying value. If the carrying value exceeds the fair value, an impairment loss is recorded. The impairment test is performed annually as of August 31. No impairment was recorded at August 31, 2009.

The determination of whether or not indefinite-lived acquired intangible assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the indefinite-lived acquired intangible assets. Fair values are determined using a profit allocation methodology which estimates the value of the trademark and brand name by capitalizing the profits saved because the Company owns the asset. We consider factors such as historical performance, anticipated market conditions, operating expense trends and capital expenditure requirements. Changes in our strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets.

Income Taxes

We utilize the liability method of accounting for income taxes as set forth in FASB ASC topic, Income Taxes. Under this method, deferred income taxes are recognized for differences between the financial statement and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. We have concluded that based on expected future results and the future reversals of existing taxable temporary differences, it is more likely than not that the deferred tax assets will be used in the future, net of valuation allowances. Uncertain tax positions are evaluated and amounts are recorded when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Judgment is required in evaluating each uncertain tax position to determine whether the more likely than not recognition threshold has been met.

Stock and Stock-Based Compensation

We have granted stock options to certain of our employees and directors under our 2005 Omnibus Stock Plan and our 2007 Equity Award Plan. We follow the Compensation-Stock Compensation subtopic of the FASB ACS. Compensation expense is recorded for stock awards made to employees and directors in return for service to the Company. The expense is measured at the fair value of the award on the date of grant and recognized as compensation expense on a straight-line basis over the service period, which is the vesting period. The fair value of options granted was estimated on the grant date using Black-Scholes option-pricing model. The use of an option valuation model includes highly subjective assumptions based on long-term predictions, including the expected stock price volatility and average life of each grant.

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Results of Operations

Three Months Ended March 31, 2010 Compared to the Three Months Ended March 31, 2009

Revenues

	Three Months Ended March 31, 2010	2009	Increase (Decrease)	Percent Change
	(in thousands, except percentages)			
DCS Online	$ 19,092	$ 21,995	$ (2,903)	-13.2%
eFinancialCareers	6,123	5,922	201	3.4%
Other	1,612	1,652	(40)	-2.4%
Total revenues	**$ 26,827**	**$ 29,569**	**$ (2,742)**	**-9.3%**

Our revenues were $26.8 million for the three months ended March 31, 2010 compared to $29.6 million for the same period in 2009, a decrease of $2.7 million, or 9%. The decline in revenues is a result of reduced recruitment activity during 2009, which impacted customer usage of our primary services. We experienced a decline in revenue at the DCS Online segment of $2.9 million, or 13% which was driven by reduced revenues at Dice.com.

Recruitment activity began to strengthen in the latter part of 2009 and into 2010, as we saw increases in our job count and database usage by our customers. There is a lag from the time customers begin to increase purchases of our services and the impact to our revenue due to the recognition of revenue occurring over the length of the contract, which can be several months to a year. The strengthening of recruitment activity is evidenced by an increase in our recruitment package customer count. The number of customers served at Dice.com increased from approximately 5,900 at December 31, 2009 to approximately 6,400 at March 31, 2010. At March 31, 2009, Dice.com customers totaled approximately 6,850. Average revenue per recruitment package customer decreased by approximately 5% from the three months ended March 31, 2009 to the three months ended March 31, 2010. Partially offsetting the decrease experienced at Dice.com was an increase in revenues at ClearanceJobs of $329,000, or 27% during the three months ended March 31, 2010 compared to the same period in 2009. ClearanceJobs was largely unaffected by the economic downturn experienced in late 2008 and throughout 2009.

We experienced an increase in the eFinancialCareers segment revenues of $201,000, or 3%. The increase is the result of the strengthening of the pound sterling versus the U.S. dollar in comparing the three month period ended March 31, 2010 with the three month period ended March 31, 2009, partially offset by reduced recruitment activity in the markets we serve in Europe and the Middle East. The increase in revenue due to the favorable effect of foreign exchange rates was $471,000, with an offsetting decline in revenue related to reduced recruitment activity of $270,000. Similar to in the U.S., we have begun to see an improvement in recruitment activity in United Kingdom and Asia. Revenue from our United Kingdom market measured in pound sterling increased 5% during the three months ended March 31, 2010 compared to the prior year period.

Revenues from the Other segment, which consists of eFinancialCareers North America operations, Targeted Job Fairs, AllHealthcareJobs and JobsintheMoney.com, declined by $40,000, or 3%. A decline in revenues at Targeted Job Fairs and JobsintheMoney.com from the first quarter of 2009 to the same period in 2010 was largely offset by revenues from AllHealthcareJobs which was acquired in June 2009 and from revenues from eFinancialCareers North America operations, which grew 9% year over year.

Cost of Revenues

	Three Months Ended March 31, 2010	2009	Increase	Percent Change
	(in thousands, except percentages)			
Cost of revenues	$ 2,107	$ 1,830	$ 277	15.1%
Percentage of revenues	7.9%	6.2%		

Our cost of revenues for the three months ended March 31, 2010 were $2.1 million compared to $1.8 million for the same period in 2009, an increase of $277,000, or 15%. The increase in cost of revenues experienced at DCS Online of $263,000 was primarily due to an increase in subscription and maintenance contracts and due to the number of network services personnel we employed to support our websites. Cost of revenues at eFinancialCareers increased by $114,000 primarily due to an $80,000 increase in salary and benefits costs for our customer support and network services personnel, due to employing more personnel. The remainder of the increase at eFinancialCareers was due to the strengthening of the pound sterling versus the U.S. dollar. These increases were partially offset by a decrease of $100,000 in the Other segment primarily due to a decrease in the number of job fairs conducted.

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Product Development Expenses

	Three Months Ended March 31, 2010	2009	Increase	Percent Change
	(in thousands, except percentages)			
Product Development	$ 1,190	$ 795	$ 395	49.7%
Percentage of revenues	4.4%	2.7%		

Product development expenses for the three months ended March 31, 2010 were $1.2 million compared to $795,000 for the same period of 2009, an increase of $395,000, or 50%. Product development expenses increased by $330,000 for the U.S. businesses, due to costs incurred related to adding features and functionality on the Dice and ClearanceJobs sites, the addition of the AllHealthcareJobs site and due to costs related to building the editorial and community aspects of the websites. Product development expenses increased at eFinancialCareers by $65,000 due primarily to an increase in salaries and benefit costs for the product development team.

Sales and Marketing Expenses

	Three Months Ended March 31, 2010	2009	Increase	Percent Change
	(in thousands, except percentages)			
Sales and Marketing	$ 10,131	$ 9,436	$ 695	7.4%
Percentage of revenues	37.8%	31.9%		