UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

R **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2013
Or

£ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number: 001-35824

Professional Diversity Network, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**80-0900177**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

801 W. Adams Street, Suite 600, Chicago, Illinois 60607
(Address of Principal Executive Offices)
Telephone: (312) 614-0950
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange On Which Registered**
Common Stock, $0.01 par value per share	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☑

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer £	Accelerated filer £	Non-accelerated filer £ (Do not check if a smaller reporting company)	Smaller reporting company R

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, was $10,989,532 (based on a price per share of $4.19, the price at which the common shares were last sold as reported on the NASDAQ Capital Market on such date).

There were 6,316,027 shares outstanding of the registrant's common stock as of March 26, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

None.

PROFESSIONAL DIVERSITY NETWORK, INC.

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FOR THE YEAR ENDED DECEMBER 31, 2013
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Annual Report"), including Part I, Item 1 – Business and Part II, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that involve risks and uncertainties. In some cases, you can identify forward-looking statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," "will," "would," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry's results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Annual Report, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain. Many important factors affect our ability to achieve our objectives, including:

- our historical alliance with Monster Worldwide, which ended December 31, 2012;
- our historical dependence on two customers, LinkedIn, which will cease being a customer as of March 29, 2014, and Apollo Group, with whom we still have an exclusive arrangement;
- our operating loss in 2013;
- our limited operating history in a new and unproven market;
- increasing competition in the market for online professional networks;
- our ability to comply with increasing governmental regulation and other legal obligations related to privacy;
- our ability to adapt to changing technologies and social trends and preferences;
- our ability to attract and retain a sales and marketing team, management and other key personnel and the ability of that team to execute on the company's business strategies and plans;
- our ability to obtain and maintain intellectual property protection for our intellectual property;
- any future litigation regarding our business, including intellectual property claims;
- general and economic business conditions; and
- any other risks described under "*Risk Factors*" in this Annual Report.

These factors could cause actual results to differ materially from the results anticipated by these forward-looking statements. You should read these risk factors and the other cautionary statements made in this Annual Report as being applicable to all related forward-looking statements wherever they appear in this Annual Report. We cannot assure you that the forward-looking statements in this Annual Report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, if at all.

You should read this Annual Report completely. Other than as required by law, we undertake no obligation to update these forward-looking statements, even though our situation may change in the future. We qualify all the forward-looking statements contained in this Annual Report by the foregoing cautionary statements.

PROFESSIONAL DIVERSITY NETWORK, INC.
PART I

ITEM 1 — BUSINESS

Unless we specify otherwise, all references in this Annual Report to "Professional Diversity Network," "PDN," "we," "our," "us" and "company" refer to Professional Diversity Network, LLC d/b/a iHispano.com prior to the consummation of our reorganization (from an Illinois limited liability company into a Delaware corporation) on March 5, 2013, and Professional Diversity Network, Inc. after our reorganization. For purposes of this Annual Report, unless the context clearly dictates otherwise, all references to "professional(s)" means any person interested in the company's websites presumably for the purpose of career advancement or related benefits offered by the company, whether or not such person is employed and regardless of the level of education or skills possessed by such person. The company does not impose any selective or qualification criteria on membership and the term "professional(s)" as used in this Annual Report should be interpreted accordingly. In addition, the company does not verify that any member of a particular company website qualifies as a member of the ethnic, cultural or other group identified by that website. References to "user(s)" means any person who visits one or more of our websites and "our member(s)" means an individual user who has created a member profile on that website as of the date of measurement. If a member is inactive for 24 months then such person will be automatically de-registered from our database. The term "diverse" (or "diversity") is used throughout this Annual Report to include communities that are distinct based on a wide array of criteria which may change from time to time, including ethnic, national, cultural, racial, religious or gender classification.

Overview

Professional Diversity Network, Inc. (the "company," "Professional Diversity Network," "we," "our" and "us") is a corporation originally formed as IH Acquisition, LLC under the laws of the State of Illinois on October 3, 2003. On February 4, 2004, we changed our name to iHispano.com LLC. In 2007, we changed our business platform and implemented technology to operate our business as communities of professional networking sites for diverse professionals. We have continued with this business platform ever since. In September 2008, we began to brand ourselves as Professional Diversity Network. On March 15, 2012, we changed our name from iHispano.com LLC to Professional Diversity Network, LLC. On March 5, 2013, we reorganized our business, converting from an LLC into a Delaware corporation, in conjunction with our initial public offering of common stock, which is listed on the NASDAQ Capital Market.

The company operates online professional networking communities with career resources specifically tailored to the needs of different diverse cultural groups including: Women, Hispanic-Americans, African-Americans, Asian-Americans, Disabled, Military Professionals, Lesbians, Gay, Bisexual and Transgender (LGBT), and Students and Graduates seeking to transition from education to career. The networks' purposes are to assist its members in their efforts to connect with like-minded individuals, identify career opportunities within the network and connect members with prospective employers. The company's technology platform is integral to the operation of its business.

Our company is built on the philosophy of "relationship recruitment," connecting talent with opportunity within the context of a common culture or affinity. We provide an environment that celebrates the identity of our members and fosters a sense of community and trust. We believe that we provide value to our members by enabling them to leverage their connections and share beneficial information with other members and employers that participate on our platform, providing access to employment opportunities and valuable career resources. At the same time, we believe that our members and their level of engagement is attractive to employers and advertisers that seek to target an audience of diverse professionals for hiring purposes, to increase brand awareness or to market products and services.

The company currently has over 3 million registered users. We expect that our continued membership growth will enable us to further develop our menu of online professional diversity networking and career placement solutions. Additionally, the company has established systems to distribute jobs to career agencies, including those of state and local governments, in a manner that complies with the requirements of the Office of Federal Contract Compliance Programs ("OFCCP") compliant manner to career agencies, including those of state and local governments. The company added over 500,000 registered users during the year ended December 31, 2013.

The company continues to expand its partnership relationships with key strategic alliances that we believe are valuable to our core clients. Professional Diversity Network presents job postings on our own sites and to additional locations that are frequented by diverse job seekers. The locations include not-for-profit professional organizations, local employment offices, including Veteran employment offices, state employment agencies and websites with a diverse audience, such as Ebony and Jet magazines. The company currently maintains relationships with the following key strategic allies: the National Black MBA Association; National Urban League; the National Association for the Advancement of Colored People; VetJobs; DisabledPersons.com, a leading not-for-profit organization serving employment needs of people with disabilities; ALPFA, an organization dedicated to building Latino business leaders; Latino(a)s in Tech Innovation & Social Media; Illinois Hispanic Nursing Association; Women in Biology; Black Sales Journal; Ebony Magazine and numerous others. The company considers its partner alliances to be a key value to its clients because it enables the company to expand its job distribution and outreach efforts.

We believe our revenue model is aligned with our focus on serving our members. We currently provide members with access to our websites at no cost, a strategy that we believe will allow us to continue to grow our membership base and promote high levels of member engagement for the mutual benefit of members and employers.

During the third quarter of 2013, the company enhanced its Employer Recruitment Intelligent Compliance Assistance ("ERICA") product. The ERICA product was designed to align corporate compliance efforts with the diversity recruitment requirements of the OFCCP. In 2013 the United States government modified OFCCP regulations, increasing the focus on reaching diverse talent, including requirements relating to effective job postings and diversity recruitment effectiveness. These revisions, published in the Federal Register and effective March 24, 2014, change existing affirmative action obligations for federal contractors and subcontractors. Key highlights of the revisions establish new job distribution requirements, recordkeeping guidelines and hiring goals. Professional Diversity Network is well positioned to provide recruiting and recordkeeping solutions to address these changes in an OFCCP-compliant manner.

Diversity Recruitment Methodology

Our company is built on the philosophy of "relationship recruitment," connecting talent with opportunity within the context of a common culture or affinity. We provide an environment that celebrates the identity of our members and fosters a sense of community and trust. We believe that we provide value to our members by enabling them to leverage their connections and share beneficial information with other members and employers that participate on our platform, providing access to employment opportunities and valuable career resources. At the same time, we believe that our members and their level of engagement is attractive to employers and advertisers that seek to target an audience of diverse professionals for hiring purposes, to increase brand awareness or to market products and services.

We believe our revenue model is aligned with our focus on serving our members. We currently provide members with access to our websites at no cost, a strategy that we believe will allow us to continue to grow our membership base and promote high levels of member engagement for the mutual benefit of members and employers.

Key Historical Alliances

Monster Worldwide

Our alliance agreement with Monster Worldwide expired on December 31, 2012. Pursuant to this agreement, Monster Worldwide had been the exclusive seller of job postings on our websites. Monster Worldwide sells, among other services, diversity and inclusion recruitment solutions (including job postings, resume search services and recruitment media advertising) to employers that seek diverse job candidates and maintains a database of resumes from applicants seeking employment opportunities. Pursuant to our agreement with Monster Worldwide, Monster Worldwide posted job opportunities of certain of these employers on our websites and on the websites of diverse professional organizations with which we have cross-posting arrangements. Also, we posted resumes of our members who also wished to have their resume posted in Monster Worldwide's resume database. We also provided resume search services, recruitment media advertising, talent recruitment communities, basic and premier corporate memberships, hiring campaign marketing and advertising, e-newsletter marketing and research and outreach services to employers secured by Monster Worldwide as customers of its diversity and inclusion recruitment solutions.

Our agreement with Monster Worldwide provided for an annual fixed fee that was subject to adjustment based on certain criteria. For the year ended December 31, 2012, 65% of our revenue was generated from our agreement with Monster Worldwide.

Following the expiration of our agreement with Monster Worldwide, we experienced significant decreases in revenue because (i) our agreement with LinkedIn provided for fixed quarterly payments that were half of the fixed quarterly payments we received from Monster Worldwide and we did not receive any commission revenue through LinkedIn and (ii) our sales force required time to generate sales because we could not and did not begin to market and sell our recruitment services directly to companies until after our agreement with Monster Worldwide expired on December 31, 2012. We expect to experience such decreases in revenue until such time as our sales team is able to generate sufficient sales to replace the revenue previously generated by our agreement with Monster Worldwide.

Under our agreement with Monster Worldwide, we agreed to continue to provide limited support and access to data to permit Monster Worldwide to continue to meet certain obligations to its customers in 2013. With respect to job postings that Monster sold prior to the expiration of our agreement, we permitted Monster to maintain such postings on our websites until the earlier of (a) the date that Monster Worldwide's obligation to maintain such posting expired or (b) December 31, 2013. In addition, we continued to provide Monster Worldwide with access to our data until December 31, 2013. We incurred only de minimis additional labor and de minimis additional costs in complying with such post-agreement services, and did not receive any additional payments from Monster Worldwide subsequent to the expiration of our agreement. We have completed all obligations pursuant to the former agreement with Monster Worldwide.

LinkedIn

The company entered into an agreement with LinkedIn Corporation that became effective on January 3, 2013 and which will terminate as of March 29, 2014. During the term of the agreement, LinkedIn may resell to its customers diversity-based job postings and recruitment advertising on our websites. Our agreement with LinkedIn provides that LinkedIn will make fixed quarterly payments to us in the amount of $500,000 per quarter during the term of the agreement. Under the LinkedIn agreement, we also may have earned commissions for sales of our services by LinkedIn in excess of certain thresholds. The fixed quarterly payments are payable regardless of sales volumes or any other performance metric. We do not obtain information about commissions earned from LinkedIn, if any, until within 60 days following the end of any fiscal quarter. During 2013, the company did not receive any additional commissions from LinkedIn. Our revenue derived from the LinkedIn contract during the year ended December 31, 2013 was $2,000,000, the amount of the guaranteed payment.

During the term of our agreement with LinkedIn, we may not permit any competitor of LinkedIn to resell our diversity-based recruitment services. Our agreement does not prohibit LinkedIn from selling its own or any third party's diversity recruitment services, however, during the term of our agreement with LinkedIn; and for a period of one year thereafter, we agreed not to sell our diversity-based recruitment services, directly or indirectly, to any of the 1,000 companies on LinkedIn's restricted account list. The companies on the restricted accounts list are of varying sizes, operate in diverse geographical locations and conduct business in different sectors. However, we will be permitted, as of March 30, 2014, to market and sell our products to any company, including those 1,000 companies on LinkedIn's restricted account list because as part of our termination arrangement with LinkedIn, the restricted account list will no longer apply.

On December 31, 2013, LinkedIn served the company notice of termination, effective as of March 29, 2014. LinkedIn did not provide a reason for the termination of the agreement. As part of the termination notice, LinkedIn waived their right to prevent the company from soliciting the 1,000 accounts on the LinkedIn protected list for a period of one year.

University of Phoenix

On February 14, 2014, we renewed our agreement with Apollo Education Group, Inc. ("Apollo Group"), the parent company of the University of Phoenix., The agreement runs through February 28, 2015 and provides for fees to us in the amount of $116,667 per month. The company provides the following services to the Apollo Group: (1) access to the hosted service for University of Phoenix students and alumni; (2) reports on a daily, weekly or as otherwise requested basis by Apollo Group; and (3) supporting services, including technical support for the hosted service, or as requested by Apollo Group. The hosted service is available to University of Phoenix alumni at https://alumni.education2career.com/. A UOPX branded version of the hosted service is available to University of Phoenix Students through University of Phoenix's proprietary student web site, eCampus, at https://www.education2career.com/.

Revenue derived from the Apollo Group constituted 36% of our total revenue and 92% of our revenue from consumer media advertising and marketing solutions for the year ended December 31, 2013. For the year ended December 31, 2012, 31% of our total revenue and 88% of our revenue from consumer media advertising and marketing solutions was generated from our agreement with Apollo Group.

Recruitment Revenue

Direct Sales to Employers

We are maturing our capabilities to market and sell recruitment services directly to employers. We have segregated the diversity recruitment market into three sectors:

- Federal, state and local governments and companies and contractors who serve these governmental entities
- Small and medium sized businesses, (defined as companies with less than 2,500 employees)
- Large enterprises with greater than 2,500 employees

Our sales team expects to approach these markets using a combination of telephone and email marketing to companies and/or their recruitment agencies. We also plan to attend major recruitment conferences where recruiters who focus their efforts on diverse candidates are in attendance. In 2013 and until March 29, 2014, our sales team did not have the ability to sell to any of the 1,000 companies on the restricted account list pursuant to our agreement with LinkedIn. All of the obligations under our previous contract with Monster Worldwide have been satisfied. We have no restriction on accessing any companies relating to our contract with Monster Worldwide, which ended on December 31, 2012.

In 2013, we invested in the development of our own internal direct sales infrastructure. We currently have 21 professionals actively selling, servicing and marketing to employers who seek to hire diverse talent. The company invested heavily in 2013 to create our sales force, which added to our cost of doing business. These costs are primarily for sales personnel and technology to support the sales team with tools such as client relationship management systems, personal computers and travel expenses. The sales expenses are variable and can be adjusted to meet market conditions. However, there is a risk that we will not successfully sell our products and services directly to employers at a level that supports the cost of providing those services.

Our financial statement revenue, in accordance with generally accepted accounting principles, is recognized ratably over the lives of the contracts we sell, which is generally one year. As we work to grow our business with sales made by our internal sales team, we find it useful to monitor the volume of direct sales orders written in a quarter. Orders written from the direct sales of recruitment services to businesses was approximately $885,000 during the year ended December 31, 2013. Direct orders booked during the fourth quarter of 2013 were over $477,000, compared to $194,000 in the third quarter of 2013, representing a quarterly increase of 146%.

Seasonality

Our quarterly operating results are affected by the seasonality of employers' businesses. Historically, demand for employment hiring is lower during the first quarter and typically increases during the remainder of the year.

Acquisitions

Part of our growth plan is to acquire companies that we believe will add to and/or expand our service offerings.

On June 14, 2013, we completed the purchase of the proprietary software technology related to developing career guidance tools for job seekers from Careerimp Inc. The terms of the purchase were an initial cash payment of $200,000 plus an additional payment of $200,000 to Careerimp's former CEO if he remained employed by PDN on December 31, 2013. The second payment of $200,000 was paid as of December 31, 2013 since the former CEO was employed by us as of such date. The technology that we acquired from Careerimp is being used to enhance the functionality and appeal of our networks and provide our registered users with sophisticated technology to enhance their resumes and increase their potential to have a higher percentage of applications result in interviews. We are also selling this product directly to job seekers through a dedicated ecommerce website.

The company made an additional strategic acquisition in the third quarter of 2013 in order to expand its networking capabilities. The company purchased the assets of Personnel Strategies Inc. ("PSI"), a producer of diversity-focused career fairs, on September 20, 2013 for an aggregate purchase price of $200,000. We concurrently hired PSI's former CEO and committed to pay him an additional $100,000 on each of September 20, 2014 and 2015, contingent upon the former CEO's continued employment with the company on each of those respective dates. Additionally, the former CEO may receive up to an additional $100,000 on September 20, 2014 and 2015 provided certain cash flow targets are met. PSI is a producer of approximately 25 to 30 career fairs annually in major market locations across the nation reaching approximately 500 employers and 20,000 diverse job seekers. The acquisition will enhance the company's diversity recruitment offerings and help build brand awareness of Professional Diversity Network, Inc.

We currently have no other agreements or commitments with respect to acquisitions or investments in other companies. However, we continue to actively pursue opportunities to acquire or consolidate some of the companies in our industry, which is highly fragmented.

Our Mission

Our mission is to serve as an important factor in the career development of diverse professionals who have traditionally faced obstacles to reaching their full employment potential. We believe that the work we do, and the power of our online platform to connect talent with opportunity, can improve the career and financial prospects of our members by empowering them to invest in their professional development, creating employment opportunities for them, and enabling them to achieve higher levels of professional success.

Our Values and Company Culture

As a company, we celebrate diversity. We endeavor to capture the distinct inspirational culture of each community we serve. We strive to put our members first in every decision we make and with every new product we build. We are dedicated to helping fulfill the professional aspirations of those we serve. We aspire to help secure the financial futures of our members and their families.

We believe our creative team is skilled in communicating, in a culturally relevant manner, the messaging of the employers that participate on our platform, and we are dedicated to helping them reach their hiring goals to create a more diverse workforce that better reflects our nation's demographic.

Industry Background and Our Opportunity

We believe that we are well-positioned for growth because our business benefits from several emerging trends – the increasing socialization of the Internet, the growing ethnic diversity of the United States population and labor force, a regulatory environment that promotes diversity in the workplace, the growing ethnic population's spending power and the acceptance and growth of online recruitment and advertising.

Increasing Socialization of the Internet

The Internet has revolutionized how information is created and communicated – a wealth of information is readily accessible by browsing the Internet anonymously. However, we believe the social aspect of the Internet is emerging as an increasingly powerful influence on our lives. While an individual's interpersonal connections traditionally have not been visible to others, social and professional networking websites enable members to share, and thereby unlock, the value of their connections by making them visible. Today, personal connections and other information, such as online social and professional networking websites, are increasingly becoming a powerful tool for a growing population of users to connect with one another.

Growing Ethnic Diversity of the U.S. Population and Labor Force

According to the 2010 U.S. Census, the Hispanic-American population grew 43% from 35.3 million in 2000 to 50.5 million in 2010. The Hispanic-American population accounted for 56% of America's population growth from 2000 to 2010. Not surprisingly, diversity recruitment is increasingly becoming a common, if not standard, business practice by major employers. According to a job report published on February 5, 2010 on private sector hiring in 2008 by the U.S. Equal Employment Opportunity Commission, or EEOC, the percentage of minority employment in the U.S. compared to overall employment tripled between 1966 and 2008, from 11% to 34%. Of the approximately 62 million private sector employees nationwide covered by the 2008 survey, approximately 30 million (48%) were women and 21 million (34%) were minorities. In the U.S., Hispanic-Americans had the fastest growth rate in the U.S. private sector, with employment of Hispanic-Americans increasing from 2.5% to more than 13% between 1966 and 2008. The share of the labor force that is Hispanic-American is projected to increase to 18.6% in 2020, according to the Bureau of Labor Statistics, with Hispanic-Americans expected to account for the vast majority – 74% – of the 10.5 million workers added to the labor force in the U.S. from 2010 to 2020.

Regulatory Environment Favorable to Promoting Diversity in the Workplace

As outlined in Executive Order 13583, signed by President Obama on August 18, 2011, companies considering contracting with the federal government must be prepared to demonstrate the diversity of their workforce. Certain companies that have federal contracts are subject to this Executive Order.

In the public sector, Section 342 of the recently enacted Dodd-Frank Act creates Offices of Minority and Women Inclusion at twenty various regulatory agencies, including the Treasury, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the twelve Federal Reserve banks and the newly created Consumer Financial Protection Bureau. The Offices of Minority and Women Inclusion will monitor diversity within their ranks as well as within the pool of contractors who provide goods and services to the government. Previously, the Federal Reserve system and some of the agencies were essentially exempt from contract diversity efforts.

Rising Spending Power of Ethnic Population

The spending power of diverse groups is expected to continue to grow in the United States. According to a January 2011 report by the Kenan-Flagler Business School at the University of North Carolina, by 2014, the buying power of the Hispanic-American population will have grown by 613% since 1990, African-Americans by 257% and Asian-Americans by 498%. According to an article published in the third quarter of 2009 by the Selig Center for Economic Growth at the University of Georgia, it is projected that Hispanic-Americans will wield $1.33 trillion in spending power by 2014. In a report published in September 2011 by Nielsen Media Research, a consumer research firm, Nielsen Media Research projects that the buying power of African-Americans will exceed $1 trillion by 2015.

Acceptance and Growth of Online Recruitment and Advertisement

Businesses now recognize and strive to take advantage of the socialization of the Internet for recruitment and for brand management, marketing and advertising. Results of the 2011 Social Recruiting Survey by Jobvite, Inc., an online professional network, indicate that 89% of companies surveyed are using or planning to use online social networking tools for recruitment and 64% have successfully hired through an online social networking website. The market for advertising on online social networks in the United States is also expected to continue to grow rapidly from $2.54 billion in 2011 to an estimated $3.63 billion in 2012 and $5.59 billion by 2014, according to a February 24, 2012 article published by eMarketer, Inc.

Because of these emerging trends, the company believes there is a great opportunity for growth. Ninety-four companies in the Fortune 100 feature diversity hiring on their online career centers. The online diversity recruitment market is highly fragmented. We believe that we can consolidate this market and maximize shareholder value through strategic acquisitions and through organic growth.

Our Solutions

We offer a variety of solutions to meet the needs of diverse professionals, the employers that seek to hire them and the advertisers that seek to reach them.

Our Online Professional Networking Solutions

In keeping with our tagline, “the power of millions for the benefit of one,” our primary focus is on the members who power our network. To our members, we offer a variety of online professional networking and career placement solutions at no charge, including the following:

- *Talent Recruitment Communities*. Each of our websites provides customized “talent recruitment communities” that are company-specific and provide opportunities to engage with employers and receive valuable information and rich media content.
- *Job Postings and Company Information.* Members may search for job postings and company information by company name, industry and state.
- *Identity and Contact Management*. Each of our members can create an online professional profile that may include job title, employer, contact information, career history, events, education, resume and cover letter, and other information. Each member may choose what information, including the member’s profile and resume, is available to other members and the general public based upon his or her preferred privacy settings.
- *Networking*. Members may network by searching for other members on our websites, extending invitations, connecting, and sharing profile information. Members may share job opportunities posted on the network and connect directly with recruiters who utilize the company to hire diverse talent.
- *Career Tools and Skill-Based Content*. Our websites offer career tools (including resume/cover letter preparation, self-evaluation and one-on-one critique) and skill-based content on a wide variety of career-oriented topics.
- *E-Newsletter and Nationwide Event Information.* We offer our members an e-newsletter and information regarding career-related events.

Solutions for Employers and Recruiters

We post job listings of employers who purchase our services through our e-commerce channel, our direct sales channel or through our strategic partnership with LinkedIn. Such employers include large corporations, small- and medium-sized businesses, educational institutions, government agencies, non-profit organizations and other enterprises. We believe we offer them an online platform to identify and acquire diverse talent for their hiring needs. We believe that online professional networking websites like ours are well-equipped to provide access not only to candidates actively seeking new employment, but also to a growing network of potential candidates who may not currently be seeking new employment but may be well-qualified for, and receptive to, new opportunities. The hiring solutions we offer include:

- *Talent Recruitment Communities*. Each of our websites provides customized, company-specific "talent recruitment communities" that permit employers to engage with our members and deliver valuable information and rich media content.
- *Single and Multiple Job Postings*. At the core of our recruitment solutions is the ability for employers to post jobs on our websites and the websites of the professional organizations for which we power career centers and job boards and with which we have cross-posting agreements.
- *Recruitment Advertising.* The company provides diversity recruitment outreach with our recruitment advertising products and services. We enable advertisers to target and reach large audiences of diverse professionals and connect them to employers seeking to hire diverse talent. We assist recruitment advertisers in building campaigns and provide additional creative services. Our branding and marketing platform employs email marketing, social media, search engines, traffic aggregators and strategic partnerships. Through these avenues, we enhance companies' recruitment brand awareness for our customers and sponsors, inform users and members about their products and services, and provide access to data.
- *Resunate*. In 2013 we purchased the assets of a company that created Resunate, a technology that utilizes semantic search to identify matching jobs for job seekers, talent for recruiters and optimizes resumes to optimally meet the requirements detailed in a job posting. This technology helps job candidates become more effective in securing an interview and getting hired.
- *Resume Database Access*. We provide employers with access to our database of resumes submitted by members who give consent to do so.
- *Hiring Campaign Marketing and Advertising*. We assist employers in implementing targeted marketing and advertising campaigns to fill their hiring needs.
- *Research*. Based upon our audience, we have the ability to provide valuable research to corporate partners relating to their products or services.
- *Employment Recruitment Intelligence Compliance Assistance (ERICA)*. Launched in September 2011, our ERICA service is a new technology-based platform designed to streamline compliance with the diversity recruitment requirements of the Office of Federal Contract Compliance Programs (OFCCP).

Our Competitive Strengths

We believe the following elements give us a competitive advantage to accomplish our mission:

- *Dedicated Focus on Diverse Professionals.* Our focus on providing career opportunities for diverse professionals differentiates us from other online social networking websites, such as Facebook. We believe our websites have a distinctly career-oriented feel and utility when compared with other online social networking websites. We believe that users prefer to manage their professional and social identities and contacts separately. While other online professional networking websites, such as LinkedIn, also have a professional focus, we are singularly focused on diverse professionals in the United States. We believe that we communicate effectively with each of our diverse communities and create environments that harness a natural affinity among members of common culture, ethnicity, gender, orientation, nationality and experience to stimulate increased member trust, networking and engagement.
- *Platform That Harnesses the Power of Web Socialization*. We believe that our membership base will continue to grow and that our platform will be an increasingly powerful tool that enables our members to leverage their connections and shared information for the collective benefit of all of the participants on our platform. We believe that we are the first online professional network to focus on the diversity recruitment sector.
- *Relationships with Strategic Partners*. We believe that our relationships with strategic partners are difficult to replicate and give us a competitive advantage in the networking opportunities, career tools and resources we can offer to our members, as well as the diverse audiences we can access for employers and advertisers.
- *Relationships with Professional Organizations*. Our team has experience working with multicultural professional organizations. We partner with a number of leading minority professional organizations, including:

    - Association for Latino Professionals in Finance and Accounting (ALPFA)
    - National Urban League
    - National Black MBA Association
    - Latinos in Information Science and Technology (LISTA)
    - National Association of Hispanic Journalists (NAHJ)
    - National Association for the Advancement of Colored People (NAACP)
    - Women in Biology
    - National Hispanic Sales Network

- *Customized Technology Platform*. Our technology platform has been custom-designed and built to facilitate networking engagement and job searching. We believe that it would be costly and time consuming for a new entrant into the online professional networking space to replicate a technology platform with comparable functionality.

Our Key Metrics

We monitor several key metrics, including our number of members and unique visitors, in order to assess our business, identify challenges and opportunities, produce financial forecasts, formulate strategic plans and make business decisions.

	At December 31,		
	2013	2012	2011
iHispano.com Members[(1)]	1,293,157	1,235,845	1,116,790
AMightyRiver.com Members[(1)]	998,957	926,914	606,844
Members in Our Other Networks[(1)]	557,055	116,812	18,590
Total Members Across Our Networks[(1)]	2,849,169	2,279,571	1,742,224

(1) The reported number of members is higher than the number of actual individual members because some members have multiple registrations, other members have died or become incapacitated and others may have registered under fictitious names. A substantial majority of our members do not visit our websites on a monthly basis. Please see our risk factor entitled "*The reported number of our members is higher than the number of actual individual members, and a substantial majority of our visits are generated by a minority of our members*" on page 15.

We believe the number of members is a key indicator of the growth of our online network and our ability to monetize the benefits resulting from such growth for the businesses and professional organizations to which we sell recruitment and marketing solutions. To date, our member base has, in large part, grown virally through users and members who invite colleagues and peers to join their network. Growth in our member base depends, in part, on our ability to successfully develop and market our solutions to professionals who have not yet become members of one of our websites. Our registered users increased from 2.2 million as of December 31, 2012 to 2.8 million as of December 31, 2013.

We define a member of one of our websites as an individual user who has created a member profile on that website or on the website of a partner whose job board or career service center we operate, as of the date of measurement.

Our Strategy

Our strategy for accomplishing our mission involves the following elements:

- *Launch and Acquire Additional Minority Professional Networking Websites*. We believe that we can significantly expand our member base by acquiring other online professional networking websites focused on Hispanic-American and African-Americans and other diverse communities, launching our own websites focused on diverse communities and growing our existing websites. Increasing our membership will play a central role in our ability to increase advertising revenue and to enhance the value we provide to employers seeking to attract diverse talent. We believe the diversity recruitment and diversity marketing industries are fragmented and there is an opportunity to consolidate some of the smaller companies in these sectors.
- *Employ Marketing Campaigns that Increase Traffic and Membership*. We believe a key driver of our growth has, in large part, been through users and members who invite colleagues and peers to join our network. However, we believe that we can increase our users and members through enhanced marketing efforts, such as media conferences, sponsored events, email marketing, ongoing search engine optimization and improved social media strategies.

- *Sell our diversity recruitment services directly to employers*. During the previous year, the company invested heavily in building a sales force to sell our products and services directly to employers who value diversity. During 2013 and until March 29, 2014, we are prohibited from selling to the 1,000 companies on the restricted account list pursuant to our agreement with LinkedIn. The company will deploy its sales resources aggressively towards communicating to the companies that were on the LinkedIn protected list upon termination of our agreement with LinkedIn as of March 29, 2014. As part of our termination with LinkedIn we are unrestricted from accessing the 1,000 accounts that were reserved by LinkedIn for their exclusive relationship benefit. Additionally, the company will deploy a group of specially trained account managers to service those to which LinkedIn sold our services in hopes of providing these employers with superior service and results to facilitate a direct long-term relationship with Professional Diversity Network. Our direct recruitment marketing and sales efforts have included targeted e-mails, telephone calls and in person meetings.
- *Grow Revenue from Recruitment Advertising*. During 2013 the company successfully sold and delivered numerous diversity recruitment-advertising campaigns to leading employers in the nation. We plan on building upon this base of success and expanding our recruitment advertising products and services.
- *Grow our Recruitment Platform*. We plan on investing in our recruitment platform by adding additional services in order to enhance the user and recruiter experience. Our product roadmap builds upon our relationship recruitment platform.
- *Leverage Resunate to increase traffic, membership and revenue*. Our Resunate technology is now being used to connect with new users in an effort to encourage them to become registered users of Professional Diversity Network. The company has also begun to derive modest revenue from licensing the Resunate technology to staffing firms who desire to optimize their resume data base to help increase their placement rates. Resunate is also being sold as an e-commerce product to job seekers.
- *Strengthen and Develop Relationships with Strategic Partners*. We are working to strengthen our relationships with existing strategic partners and develop new relationships with online networking websites and professional organizations, with a view toward increasing traffic to our websites and broadening our base for membership and our hiring and marketing solutions.
- *Hire Strategically*. As we grow, we expect to make strategic hires designed to improve efficiency and expand sales, marketing and customer service capabilities of our existing operations and to identify, pursue and manage growth opportunities. We intend to hire experienced individuals in sales, marketing and technology.
- *Add Functionality to Increase Member Value and Generate Revenue*. We are working to enhance the functionality of our websites, improve our applications, tools and resources and more efficiently and effectively utilize information captured on our websites. New concepts may include cultural community couponing and business directory services. Such enhancements and improvements should add value for our members and the companies and professional organizations that participate on our websites, as well as add revenue-generating opportunities for us.

Sales, Marketing and Customer and Member Support

We believe our member base has grown virally principally through member invitations to others to join our online networks. Additionally, we seek to drive member growth through the efforts of our sales organization, media conferences, press releases, sponsored events, and email marketing, search engine optimization and social media strategies.

Our marketing team has expertise in multicultural marketing. We expect to continue to provide compelling content that underscores our mission of supporting diverse professionals and encouraging diverse browsers to visit our websites. Additionally we will continue to invest strategically in search engine optimization and search engine marketing to promote our online communities. We continually develop relationships with professional organizations and community groups, such as the National Hispanic Christian Leadership Council, to bring our services to individuals offline as well as online.

At the core of our talent recruitment groups are our expert online community managers. Our community managers encourage interaction between job seekers and recruiters, police for inappropriate online activity, optimize recruitment campaigns and provide reporting and client services for the businesses that use our hiring solutions.

The community managers for our websites respond to both business and technical inquiries from members, businesses and professional organizations relating to their accounts, including guidance on how to utilize our applications, tools and resources. Self-service support also is available on our websites and users can contact us via e-mail or telephone.

Customers

Currently, more than 500 companies and organizations, have listed job postings on our websites. The end of our relationship with LinkedIn will result in the loss of $1,500,000 of our projected revenue for 2014, or 37% of our revenue in 2013. The company will deploy sales resources in an effort to sell to the 1,000 companies that were reserved by LinkedIn accounts. At the same time the company will deploy a specially trained account management team to service those companies to whom LinkedIn sold Professional Diversity Network services and convert those companies to direct relationships with Professional Diversity Network.

According to the US Department of Labor, there are over 50,000 companies in the United States that are subject to OFCCP regulations, specifically relating to diversity recruitment. In 2013 the OFCCP made certain changes to their regulations including the method of job distribution to State job boards and reporting on the effectiveness of a company's diversity recruitment efforts. The company believes that these changes are significant and will encourage employers to utilize resources for diversity recruitment that aggressively promote their job openings to diverse candidates. The company will continue to communicate our unique offering to employers who desire to hire diverse talent in an OFCCP compliant manner.

The company will seek to diversify its sources of revenue in an effort to lessen our dependency on a small group of clients. In the fourth quarter of 2013 the company generated over $477,000 of booked revenue, in addition to the $500,000 of revenue associated with our LinkedIn alliance.

A non-renewal of or a material change in our relationship with Apollo Group would have a material adverse effect on our financial results. *See "Risk Factors – Our revenues are highly dependent on two customers and we will likely continue to be dependent on a small number of customers."*

Technology Infrastructure

We refer to our customized relationship recruitment technology platform as Affinity Relationship Recruitment Generation V (ARR-V). Benefits of our technology platform include:

- *Ease of Use for Professional Networking*. Our ARR-V technology emphasizes ease-of-use, allowing our members to create, manage and share their professional identity online, build and engage with their connections, access shared knowledge and insights, and find career opportunities.
- *New Technology Platform Launched in 2013.* Our websites are developed using Ruby on Rails, a commonly-used, general-purpose server-side programming language, which enables our members to access and integrate their LinkedIn contacts for a high level of professional engagement in one location on our websites. Our websites are responsively designed to support the growing mobile users'job-seeking online experience. We use semantic search to match job seekers and employers in an efficient manner. As part of our new web platform, we have deployed a series of new employer functions to assist with efficient recruitment and reporting.
- *Job Searching; Employer Auto-Matching Tool, or EAMT*. Our ARR-V technology is a robust platform for our members to post their resumes and search for career opportunities, and for businesses to post job openings. Our members can execute targeted matches through our customized career-to-employer auto-matching tool.
- *Member Generated Conten*t. Our members can easily input, access, communicate, and share information, via chat, instant message, blogs, forums, and videos. Our ARR-V technology utilizes the content generated by our members, job postings by recruiters and marketing information from sponsors on our websites to provide relevant information to our visitors. We continually work to improve the pertinence of the information on our websites.
- *Member Engagement*. Our platform draws on the cultural affinity within our diverse communities, user generated content, job postings and relevant advertising media to encourage a high degree of member engagement on our websites. We believe that engagement enhances the value we offer to our members, as well as to the businesses and professional organizations, that use our websites.
- *Advertising Media Platform*. Our ARR-V technology allows us to place targeted advertising media for our advertising customers based upon information we collect from our users, including browsing history. Our advertising service technology enables us to specifically deliver advertisements to our audience by geography, via geo-targeting to specific zip codes, and to retarget relevant advertisements to our audience based upon prior activity on our websites.
- *Vertical and Horizontal Scalability*. Our ARR-V platform is designed to allow us to scale both "vertically" and "horizontally". We can scale vertically, within a specific demographic group, by increasing members and visitors. We can scale horizontally, among different or additional demographic groups, by launching new community websites focused on such groups, and community websites rebranded for our strategic partners. This enables our company to quickly move into new opportunities either with strategic partners or alone without making a sizeable additional investment.

We regularly evaluate our ARR-V technology to improve ease-of-use, enhance and expand our tools and resources, optimize user engagement, and implement industry best practices.

Operations

Our websites are hosted by Engine Yard based in San Francisco, California. Engine Yard provides a robust and easy platform for our hosting needs, allowing us to easily scale up resources to meet our peak needs. It also allows us to quickly and easily deploy website updates. Our websites have backup and contingency plans in place in the event that an unexpected circumstance occurs.

Intellectual Property

To protect our intellectual property rights, we rely on a combination of federal, state and common law rights, as well as contractual restrictions:

- We rely on trade secret, copyright, and trademark rights to protect our intellectual property. We pursue the registration of our domain names and trademarks in the United States. Our registered trademarks in the United States include the “iHispano” mark with stylized logo, the “Black Career Network” mark with stylized logo, and the “Professional Diversity Network” mark with our tagline “the power of millions for the benefit of one,” as well as others.
- We strive to exert control over access to our intellectual property and customized technology by entering into confidentiality and invention assignment agreements with our employees and contractors and confidentiality agreements with third parties in the ordinary course of our business.

Nevertheless, our efforts to protect our proprietary rights may not be successful. Any significant impairment of our intellectual property rights could adversely impact our business or our ability to compete. Also, protecting our intellectual property rights is costly and time-consuming. Any unauthorized disclosure or use of our intellectual property could make it more expensive to do business and adversely affect our operating results.

Other companies in the Internet, social media, technology and other industries own patents, copyrights, and trademarks, and we expect that from time to time they may request license agreements, threaten litigation, or file suits against us for alleged infringements or other violations of intellectual property rights.

Competition

We face significant competition in all aspects of our business. Specifically, with respect to our members and our recruitment consumer advertising and marketing solutions, we compete with existing general market online professional networking websites, such as LinkedIn, as well as ethnic minority focused social networking websites, such as Black Planet and MiGente, and other companies such as Facebook, Google, Microsoft and Twitter that are developing or could develop competing solutions. Following the expiration of our agreement with Monster Worldwide on December 31, 2012, Monster Worldwide is now another competitor. We also generally compete with online and offline enterprises, including newspapers, television, direct mail marketers that generate revenue from recruiters, advertisers and marketers, and professional organizations. With respect to our hiring solutions, we also compete with traditional online recruiting companies such as Career Builder, talent management companies such as Taleo, and traditional recruiting firms.

Under the terms of our agreement with LinkedIn, we are not permitted to resell our services to any competitor of LinkedIn or to any of the 1,000 companies on the restricted account list maintained by LinkedIn (and to which companies LinkedIn itself sells our services pursuant to our agreement with LinkedIn). Subsequent to the termination of the LinkedIn agreement on March 29, 2014, these restrictions will be eliminated. Furthermore, during the term of our agreement with Apollo, we are unable to provide advertising services to any institution of higher learning, other than Apollo Group. Accordingly, our customer agreements restrict our ability to compete in certain important ways.

Larger, more well-established companies may focus on professional networking and could directly compete with us. Other companies might also launch new competing services that we do not offer. Nevertheless, we believe that our focus on diverse online professional networking communities is a competitive strength in our market.

Government Regulation

We are subject to a number of federal, state and foreign laws and regulations that affect companies conducting business on the Internet. These laws are still evolving and could be amended or interpreted in ways that could be detrimental to our business. In the United States and abroad, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature and content of the materials searched, the ads posted, or the content provided by users. Any court ruling or other governmental action that imposes liability on providers of online services for the activities of their users and other third parties could materially harm our business. In addition, rising concern about the use of social networking technologies for illegal conduct, such as the unauthorized dissemination of national security information, money laundering or supporting terrorist activities may in the future produce legislation or other governmental action that could require changes to our products or services, restrict or impose additional costs upon the conduct of our business or cause users to abandon material aspects of our service.

In the area of information security and data protection, many states have passed laws requiring notification to users when there is a security incident, or security breach for personal data, or requiring the adoption of minimum information security standards that are often unclear and difficult to implement. The costs of compliance with these laws are significant and may increase in the future. Further, we may be subject to significant liabilities if we fail to comply with these laws.

We are also subject to federal, state, and foreign laws regarding privacy and protection of member data. We post on our websites our privacy policy and terms of use. Compliance with privacy-related laws may be costly. However, any failure by us to comply with our privacy policy or privacy-related laws could result in proceedings against us by governmental authorities or private parties, which could be detrimental to our business. Further, any failure by us to protect our members' privacy and data could result in a loss of member confidence in us and ultimately in a loss of members and customers, which could adversely affect our business.

Because our services are accessible worldwide, certain foreign jurisdictions may claim that we are required to comply with their laws, including in jurisdictions where we have no local entity, employees, or infrastructure.

Facilities

We lease approximately 4,600 square feet of space for our headquarters in Chicago, Illinois under a lease that expires on June 30, 2015. We also lease approximately 1,900 square feet of office space in Minnetonka, Minnesota for our Events division under a lease that expires September 30, 2014.

Employees

As of December 31, 2013, we have 49 employees. From time to time, we also engage independent contractors to perform various services. None of our employees are covered by a collective bargaining agreement. We believe that we have good relationships with our employees.

Legal Proceedings

We are subject to legal proceedings and litigation arising in the ordinary course of business, although no such proceeding or litigation is currently pending.

ITEM 1A — RISK FACTORS

Investing in our common stock involves a great deal of risk. You should carefully consider the following information about risks, together with all of the other information in this Annual Report, including our consolidated financial statements and related notes, before making an investment in our common stock. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, cash flows and financial condition could be materially harmed. In any such case, the market price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business and Strategy

Our revenues are highly dependent on two customers, and we will likely continue to be dependent on a small number of customers.

One of our customers, Apollo Group, accounted for 36% and 31% of our total revenues for the years ended December 31, 2013 and 2012, respectively.

Following the termination of our agreement with LinkedIn, we are substantially dependent on revenues generated by our agreement with the University of Phoenix, at least until we are able to generate significant revenues from a large number of customers through our direct sales efforts. Therefore, we are, and will likely continue to be, dependent on the University of Phoenix, and the loss of this customer would materially and adversely affect our business, operating results and financial condition. Furthermore, as a result of our reliance on a limited number of customers, we could face pricing and other competitive pressures, which may have a material adverse effect on our business, operating results and financial condition.

Our agreement with LinkedIn will terminate on March 29, 2014, and it is uncertain when, if ever, we can replace the revenues we received through our agreement with LinkedIn.

Our agreement with LinkedIn will terminate on March 29, 2014. We expect to experience significant decreases in revenue for a period of time while our sales team attempts to directly sell those 1,000 accounts that were reserved by LinkedIn and attempt to convert those companies to direct customers. Failure to replace the $500,000 per quarter decrease in revenue we received from LinkedIn would materially and adversely affect our business, operating results and financial condition.

We are seeking to generate recruitment revenue through direct sales to customers, which is a new and uncertain initiative.

We began direct sales to employers on January 2, 2013. As a new initiative for the company, we established a sales force to sell directly into companies seeking to hire diverse talent. During the course of 2013 the company optimized its sales team and continued to refine the manner in which its products and services were sold. While the company made progress in growing its direct sales on a quarterly basis, we have not matured the sales force to the point of predictability, nor have we sold enough of our products and services to achieve profitability. Therefore, there is no assurance that we will be successful in selling our services directly to employers.

Our ability to grow advertising revenue is dependent on our direct sales team.

In 2013, our sales team began selling diversity recruitment advertising. Our ability to increase the amount of diversity recruitment advertising is important to the future profitability of the company.

Our services contract with Apollo Group is an annual agreement and the loss of this client would have an adverse impact on our company.

On February 14, 2014, we renewed our agreement with Apollo Group, which is effective until February 28, 2015. The agreement has numerous performance requirements that must be met in order to maintain the contract. Furthermore, there is no assurance that Apollo Group will renew our agreement in the future.

There can be no assurance that Apollo Group will not terminate its agreement with us. In addition, there are a number of factors, including those that are not within our control that could cause our agreement with Apollo Group to be terminated or not expanded, extended or otherwise continued. Apollo Group may face financial difficulties and may not be able to pay for our services, or Apollo Group may develop its own diversity platform that would replace or compete with us. Furthermore, if Apollo Group seeks to negotiate media schedules for future services under its agreement with us on terms less favorable to us, and we accept such unfavorable terms, or if we seek to negotiate better terms, but are unable to do so, then our business, operating results and financial condition would be materially and adversely affected. In addition, our customer concentration may subject us to perceived or actual leverage that our customers may have, in their dealings with us, given their relative size and importance to us. We do not know what effect, if any, this negotiating leverage may have on our business.

In the event our agreement with Apollo Group does not continue on terms favorable to us, our business, operating results and financial condition would be materially and adversely affected and we will require substantial human and capital resources to generate other sources of revenue. If we are unable to generate other sources of revenue, our business would be negatively impacted.

We have a limited operating history in the online professional networking business, which is a new and unproven market, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We began our operations in the online professional diversity networking business in 2007 and online professional networking within specific segments of the population is a new and unproven business concept. Therefore a market for our services may not develop as expected, if at all. This limited operating history and novel business concept makes it difficult to effectively assess our future prospects. You should consider our business and prospects in light of the significant risks, expenses and difficulties frequently encountered by Internet companies, especially those dedicated to the social and/or online professional network sector, in their early stage of development. We may not be able to successfully address these risks and difficulties.

We expect to face increasing competition in the market for online professional networks from professional or social networking websites and Internet search companies, among others.

We face significant competition in all aspects of our business, and we expect such competition to increase, particularly in the market for online professional networks. In particular, Monster Worldwide is now our competitor as of January 1, 2013, following the expiration of our agreement with them.

Our industry is rapidly evolving and is becoming increasingly competitive. Larger and more established online professional networking companies, such as LinkedIn, may focus on the online diversity professional networking market and could directly compete with us. Since the expiration of our agreement with Monster Worldwide, they are competing with us. Rival companies or smaller companies, including application developers, could also launch new products and services that could compete with us and gain market acceptance quickly. Individual employers have and may continue to create and maintain their own network of diverse candidates.

We also expect that our existing competitors will focus on professional diversity recruiting. A number of these companies may have greater resources than we do, which may enable them to compete more effectively. For example, our competitors with greater resources may partner with wireless telecommunications carriers or other Internet service providers that may provide Internet users, especially those that access the Internet through mobile devices, incentives to visit our competitors' websites. Such tactics or similar tactics could decrease the number of our visits, unique visitors and number of users and members, which would materially and adversely affect our business, operating results and financial condition.

Additionally, users of online social networks, such as Facebook, may choose to use, or increase their use of, those networks for professional purposes, which may result in those users decreasing or eliminating their use of our specialized online professional network. Companies that currently do not focus on online professional diversity networking could also expand their focus to diversity networking. LinkedIn may develop its own proprietary online diversity network and compete directly against us. To the extent LinkedIn develops its own network or establishes alliances and relationships with others, our business, operating results and financial condition could be materially harmed. Finally, other companies that provide content for professionals could develop more compelling offerings that compete with us and adversely impact our ability to keep our members, attract new members or sell our solutions to customers.

We process, store and use personal information and other data, which subjects us to governmental regulation, enforcement actions and other legal obligations or liability related to data privacy and security, and our actual or perceived failure to comply with such obligations could materially harm our business.

We receive, store and process personal information and other member data, and we enable our members to share their personal information with each other and with third parties. There are numerous federal, state, local and foreign laws regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other member data, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. We generally comply with industry standards and adhere to the terms of our privacy policies and privacy-related obligations to third parties (including voluntary third-party certification bodies such as TRUSTe). We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to users or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other member data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our members and customers to lose trust in us, which could have an adverse effect on our business. Additionally, if third parties we work with, such as customers, vendors or developers, violate applicable laws or our policies, such violations may also put our members' information at risk and could in turn have an adverse effect on our business.

The effect of significant declines in our ability to generate revenue may not be reflected in our short-term results of operations.

We recognize revenue from sales of our hiring solutions on a quarterly basis based on activity related to the prior quarter. As a result, a significant portion of the revenue we report in each quarter is generated from agreements entered into during previous quarters. Consequently, an adjustment, termination or non-renewal of our agreement with Apollo Group, in any one quarter may not significantly impact our revenue in that quarter but will negatively affect our revenue in future quarters. In addition, we may be unable to adjust our fixed costs in response to reduced revenue. Accordingly, the effect of significant declines in our ability to generate revenue may not be reflected in our short-term results of operations.

Our growth strategy may fail as a result of ever-changing social trends.

Our business is dependent on the continuity of certain social trends, some of which may stop abruptly. In particular, increased privacy concerns may jeopardize the growth of online social and professional network websites. Furthermore, it is possible that people may not want to identify in online social or professional networks with a focus on diversity at all. Or alternatively, people who belong to more than one diversity group (such as Hispanic-American females, among others) may not be drawn to our websites, which singularly focus on one specific diversity group. Our strategy may fail as a result of these changing social trends, and if we do not timely adjust our strategy to adapt to changing social trends, we will lose members, and our business, operating results and financial condition would be materially and adversely affected.

The regulatory environment favorable to promoting diversity in the workplace may change.

Federal and state laws and regulations require certain companies engaged in business with governmental entities to report and promote diverse hiring practices. Repeal or modification of such laws and regulations could decrease the incentives for employers to actively seek diverse employee candidates through networks such as ours and materially affect our revenues.

The widespread adoption of different smart phones, smart phone operating systems and mobile applications, or apps, could require us to make substantial expenditures to modify or adapt our websites, applications and services.

The number of people who access the Internet through devices other than personal computers, including personal digital assistants, smart phones and handheld tablets or computers, has increased dramatically in the past few years and we believe this number will continue to increase. Each manufacturer or distributor of these devices may establish unique technical standards, and our services may not work or be viewable on these devices as a result. Furthermore, as new devices and new platforms are continually released, it is difficult to predict the problems we may encounter in developing versions of our services for use on these alternative devices and we may need to devote significant resources to the creation, support, and maintenance of such devices. Our websites are designed using responsive technology and are built to provide a positive user experience on a user's Internet device, whether a mobile phone, and tablet, laptop or personal computer. If we are slow to develop products and technologies that are compatible with such devices, we might fail to capture a significant share of an increasingly important portion of the market for our services.

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

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

We may not timely and effectively scale and adapt our existing technology and network infrastructure to ensure that our websites are accessible within an acceptable load time.

An element that is key to our continued growth is the ability of our members and other users that we work with to access any of our websites within acceptable load times. We call this website performance. We have experienced, and may in the future experience, website disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our websites simultaneously, and denial of service or fraud or security attacks. In some instances, we may not be able to identify the cause or causes of these website performance problems within an acceptable period of time.

If any of our websites are unavailable when users attempt to access it or do not load as quickly as users expect, users may seek other websites to obtain the information or services for which they are looking, and may not return to our websites as often in the future, or at all. This would negatively impact our ability to attract members and other users and increase engagement on our websites. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, operating results and financial condition may be materially and adversely affected.

Our systems are vulnerable to natural disasters, acts of terrorism and cyber-attacks.

Our systems are vulnerable to damage or interruption from catastrophic occurrences such as earthquakes, floods, fires, power loss, telecommunication failures, terrorist attacks, cyber-attacks and similar events. We have implemented a disaster recovery program, maintained by a third party vendor, which allows us to move production to a back-up data center in the event of a catastrophe. Although this program is functional, it does not yet provide a real-time back-up data center, so if our primary data center shuts down, there will be a period of time that such website will remain shut down while the transition to the back-up data center takes place. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our hosting facilities could result in lengthy interruptions in our services. Furthermore, we do not carry business interruption insurance or cyber security insurance. Therefore, we will not be compensated by third party insurers in the event of service interruption or cyber-attack, and we face the risk that our business may never recover from such an event.

If our security measures are compromised, or if any of our websites are subject to attacks that degrade or deny the ability of members or customers to access our solutions, members and customers may curtail or stop use of our solutions.

Our members provide us with information relevant to their career-seeking experience with the option of having their information become public or remain private. If we experience compromises to our security that result in website performance or availability problems, the complete shutdown of our websites, or the loss or unauthorized disclosure of confidential information, our members may lose trust and confidence in us, and will use our websites less often or stop using our websites entirely. Further, outside parties may attempt to fraudulently induce employees, members or customers to disclose sensitive information in order to gain access to our information or our members' or customers' information. Because the methods used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these methods or to implement adequate preventative measures. Any or all of these issues could negatively impact our ability to attract new members and increase engagement by existing members, cause existing members to close their accounts or existing customers to cancel their contracts, subject us to lawsuits, regulatory fines or other action or liability, thereby materially and adversely affecting our reputation, our business, operating results and financial condition.

The reported number of our members is higher than the number of actual individual members, and a substantial majority of our visits are generated by a minority of our members.

The reported number of members in our networks is higher than the number of actual individual members because some members have multiple registrations, other members have died or become incapacitated, and others may have registered under fictitious names. Given the challenges inherent in identifying these accounts, we do not have a reliable system to accurately identify the number of actual members, and thus we rely on the number of members as our measure of the size of our networks. Further, a substantial majority of our members do not visit our websites on a monthly basis, and a substantial majority of our visits are generated by a minority of our members and users. If the number of our actual members does not meet our expectations or we are unable to increase the breadth and frequency of our visiting members, then our business may not grow as fast as we expect, which would materially and adversely affect our business, operating results and financial condition.

If our member profiles are out-of-date, inaccurate or lack the information that users and customers want to see, we may not be able to realize the full potential of our networks, which could adversely impact the growth of our business.

If our members do not update their information or provide accurate and complete information when they join our networks or do not establish sufficient connections, the value of our networks may be negatively impacted because our value proposition as diversity professional networks and as a source of accurate and comprehensive data will be weakened. For example, our hiring solutions customers may find that certain members misidentify their ethnic, national, cultural, racial, religious or gender classification, which could result in mismatches that erode customer confidence in our solutions. Similarly, incomplete or outdated member information would diminish the ability of our marketing solutions customers to reach their target audiences and our ability to provide research data to our customers. Therefore, we must provide features and products that demonstrate the value of our networks to our members and motivate them to add additional, timely and accurate information to their profile and our networks. If we fail to successfully motivate our members to do so, our business, operating results and financial condition could be materially and adversely affected.

Public scrutiny of Internet privacy issues may result in increased regulation and different industry standards, which could deter or prevent us from providing our current products and solutions to our members and customers, thereby materially harming our business.

The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the Internet have recently come under increased public scrutiny. The U.S. government, including the Federal Trade Commission and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain on-line tracking and targeted advertising practices. In addition, various government and consumer agencies have also called for new regulations and changes in industry practices.

Our business could be adversely affected if legislation or regulations are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices or that require changes to these practices, the design of our websites, products, features or our privacy policy. In particular, the success of our business has been, and we expect will continue to be, driven by our ability to use the data that our members share with us in accordance with each of our website privacy policies and terms of use. Therefore, our business, operating results and financial condition could be materially and adversely affected by any significant change to applicable laws, regulations or industry practices regarding the use or disclosure of data our members choose to share with us, or regarding the manner in which the express or implied consent of consumers for such use and disclosure is obtained. Such changes may require us to modify our products and features, possibly in a material manner, and may limit our ability to develop new products and features that make use of the data that our members voluntarily share with us.

Our business is subject to a variety of U.S. laws and regulations, many of which are unsettled and still developing and which could subject us to claims or otherwise materially harm our business.

We are subject to a variety of laws and regulations in the United States, including laws regarding data retention, privacy and consumer protection, that are continually evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature and content of the materials searched, the ads posted, or the content provided by users. In addition, regulatory authorities are considering a number of legislative and regulatory proposals concerning data protection and other matters that may be applicable to our business. It is difficult to predict how existing laws will be applied to our business and the new laws to which we may become subject. See the discussion included in “*Government Regulation*” beginning on page 11 of this Annual Report.

If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, we could be harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain solutions, which would materially and adversely affect our business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could materially harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could materially and adversely affect our business, financial condition and results of operations.

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

Demand for our services is sensitive to changes in the level of economic activity. Many companies hire fewer employees when economic activity is slow. Since the financial crisis in 2008, unemployment in the U.S. had increased and hiring activity had been limited. Although the economy has begun to recover and unemployment in the U.S. has improved, if the economy does not continue to recover or worsens, or unemployment returns to high levels, demand for our services and our revenue may be reduced. In addition, lower demand for our services may lead to lower prices for our services. The volatility in global financial markets may also limit our ability to access the capital markets at a time when we would like, or need, to raise capital, which could have an impact on our ability to react to changing economic and business conditions. Accordingly, if the economy does not fully recover or worsens, our business, results of operations and financial condition could be materially and adversely affected.

We may seek to acquire or merge with other businesses, which exposes us to certain risks.

As discussed elsewhere in this Annual Report, we currently intend to use approximately 50% of the net proceeds of our initial public offering for strategic acquisitions. Although we currently have no agreements or commitments with respect to material acquisitions or investments in other companies, we may, from time to time, explore opportunities to acquire or consolidate some of the companies in our industry. Depending on the nature of the acquired entity or operations, integration of acquired operations into our present operations may present substantial difficulties. Even where material difficulties are not anticipated, there can be no assurance that we will not encounter such difficulties in integrating acquired operations with our operations, which may result in a delay or the failure to achieve anticipated synergies, increased costs and failures to achieve increases in earnings or cost savings. The difficulties of combining the operations of acquired companies may include, among other things:

- possible conflicts and inconsistencies in information technology, or IT, infrastructures, which could make it costly or impossible to integrate our IT with the IT of our target;
- possible inconsistencies in standards, controls, procedures and policies, business cultures and compensation structures between us and an acquired entity;
- difficulties in the retention of existing customers and attraction of new customers;
- difficulties in retaining key employees;
- the identification and elimination of redundant and underperforming operations and assets;
- diversion of management’s attention from ongoing business concerns;
- the possibility of tax costs or inefficiencies associated with the integration of the operations; and
- loss of customer goodwill.

For these reasons, we may fail to successfully complete the integration of an acquired entity, or to realize the anticipated benefits of the integration of an acquired entity. Actual cost savings and synergies which may be achieved from an acquired entity may be lower than we expect and may take a longer time to achieve than we anticipate. Also, there may be overlap of users and such members of an acquired entity and one of our websites that would adversely affect anticipated benefits from such acquisition. One or more of such acquisition-related risks, if realized, could have a material and adverse effect on our business, operating results and financial condition.

Our revenue growth rate will decline as the result of the termination of our agreement with LinkedIn and as our costs increase and we may not be able to maintain our profitability over the long term.

Under our agreement with LinkedIn, which will terminate on March 29, 2014, we received quarterly payments from LinkedIn in the amount of $500,000. In the future, even if our revenues increase, we may not be able to generate sufficient revenue to become profitable. In 2014, our strategy is to continue to invest for future growth and we will incur numerous expenses associated with being a publicly-traded company, and as a result we may not be profitable in 2014. In particular, we expect to continue to expend substantial financial and other resources on:

- our technology infrastructure, including website architecture, development tools scalability, availability, performance and security, as well as disaster recovery measures;
- product development, including investments in our product development team and the development of new features;
- sales and marketing; and
- general administration, including legal and accounting expenses related to being a public company.

These investments may not result in increased revenue or growth in our business. If we fail to continue to grow our revenue and overall business, our business, operating results and financial condition will be harmed. If we fail to effectively manage our growth, our business and operating results could be materially harmed.

Our business depends on strong brands, and any failure to maintain, protect and enhance our brands would hurt our ability to retain or expand our base of members, enterprises and professional organizations, or our ability to increase their level of engagement.

We believe we have developed strong brands, particularly “iHispano” and “Black Career Network,” which we believe have contributed significantly to the success of our business. Maintaining, protecting and enhancing our brands is critical to expanding our base of members, advertisers, corporate customers and other strategic partners and users, and increasing their engagement with our websites, and will depend largely on our ability to maintain member trust, be a technology leader and continue to provide high-quality solutions, which we may not do successfully. An inability to successfully maintain strong brands would materially and adversely affect our business, financial condition and results of operations.

Failure to protect or enforce our intellectual property rights could materially harm our business and operating results.

We regard the protection of our intellectual property as critical to our success. In particular, we must maintain, protect and enhance our brands. We strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. In the ordinary course, we enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information and customized technology platform. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary information or deter independent development of similar technologies by others.

We pursue the registration of our domain names, trademarks, and service marks in the United States and in certain locations outside the United States. Effective trademark, trade dress and domain names are expensive to develop and maintain, both in terms of initial and ongoing registration requirements and the costs of defending our rights. We are seeking to protect our trademarks and domain names, a process that is expensive and may not be successful.

Litigation may be necessary to enforce our intellectual property rights or determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and operating results. We may incur significant costs in enforcing our trademarks against those who attempt to imitate our brands. If we fail to maintain, protect and enhance our intellectual property rights, our business, operating results and financial condition would be materially and adversely affected.

We may in the future be subject to legal proceedings and litigation, including intellectual property and privacy disputes, which are costly to defend and could materially and adversely affect our business results or operating and financial condition.

We may be party to lawsuits in the normal course of business. Litigation in general is often expensive and disruptive to normal business operations. We may face in the future, allegations and lawsuits that we have infringed the intellectual property and other rights of third parties, including patents, privacy, trademarks, copyrights and other rights. For example, TQP Development, LLC recently filed claims against LinkedIn, Monster Worldwide and other Internet job recruitment and software companies alleging infringement of its patent covering data encryption technology. Litigation, particularly intellectual property and class action matters, may be protracted and expensive, and the results are difficult to predict. Adverse outcomes may result in significant settlement costs or judgments, require us to modify our products and features while we develop non-infringing substitutes or require us to stop offering certain features.

From time to time, we may face claims against companies that incorporate open source software into their products, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our solutions, any of which would have a negative effect on our business and operating results.

Our success depends in large part upon our management and key personnel. Our inability to attract and retain these individuals could materially and adversely affect our business, results of operations and financial condition.

We are highly dependent on our management and other key employees, including our founder, Executive Vice President and CEO of iHispano.com Division, Mr. Rudy Martinez, and our Chief Executive Officer, Mr. Jim Kirsch. The skills, knowledge and experience of these individuals, as well as other members of our management team, are critical to the growth of our company. Our future performance will be dependent upon the continued successful service of members of our management and key employees. We do not maintain key man life insurance for any of the members of our management team or other key personnel. Competition for management in our industry is intense, and we may not be able to retain our management and key personnel or attract and retain new management and key personnel in the future, which could materially and adversely affect our business, results of operations and financial condition.

If Internet search engines' methodologies are modified or our search result page rankings decline for other reasons, our member engagement and number of members and users could decline.

We depend in part on various Internet search engines, such as Google, Bing and Yahoo!, to direct a significant amount of traffic to our websites. Our ability to maintain the number of visitors directed to our websites is not entirely within our control. Our competitors' search engine optimization, or SEO, efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies in an attempt to improve their search results, which could adversely affect the placement of our search result page ranking. If search engine companies modify their search algorithms in ways that are detrimental to our new user growth or in ways that make it harder for our members to use our websites, or if our competitors' SEO efforts are more successful than ours, overall growth in our member base could slow, member engagement could decrease, and we could lose existing members. These modifications may be prompted by search engine companies entering the online professional networking market or aligning with competitors. Our websites have experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of users directed to our websites would materially harm our business and operating results. Our platform includes connectivity across the social graph, including websites such as Facebook, Google+, LinkedIn and Twitter. If for any reason these websites discontinue or alter their current open platform policy it could have a negative impact on our user experience and our ability to compete in the same manner we do today.

Wireless communications providers may give their customers greater access to our competitors' websites.

Wireless communications providers may provide users of mobile devices greater access to websites that compete with our websites at more favorable rates or at faster download speeds. This could have a material adverse effect on the company's business, operating results and financial condition. Creation of an unequal playing field in terms of Internet access could significantly benefit larger and better capitalized companies competing with us.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may require additional funds to increase our sales and marketing efforts and product development and acquire complementary businesses and technologies. We expect to use the proceeds from our initial public offering to make such investments and/or we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuance of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business, operating results and financial condition may be materially harmed.

Risks Related to Our Common Stock

Our directors, executive officers and significant stockholders will continue to have substantial control over us after our initial public offering and could limit your ability to influence the outcome of key transactions, including changes of control.

Our directors and executive officers and their affiliated entities, in the aggregate, beneficially own 22.2% of our outstanding common stock following the completion of our initial public offering, In particular, Daniel Ladurini, who beneficially owns 36.6%, together with Mr. Kirsch, our Chairman and Chief Executive Officer and Mr. Martinez, our Executive Vice President and founder, beneficially own 53% of our outstanding common stock following the completion of our initial public offering, together are able to control or influence significantly all matters requiring approval by our stockholders. These stockholders may have interests that differ from yours, and they may vote in a way with which you disagree and that may be adverse to your interests. The concentration of ownership of our common stock may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company, and may affect the market price of our common stock. This concentration of ownership also limits the number of shares of stock likely to be traded in public markets and therefore will adversely affect liquidity in the trading of our common stock. This concentration of ownership of our common stock may also have the effect of influencing the completion of a change in control that may not necessarily be in the best interests of all of our stockholders.

The market price for our securities may be subject to wide fluctuations and our common stock may trade below the initial public offering price.

The initial public offering price of our common stock was determined by negotiations between us and representatives of the underwriter, based on numerous factors. The trading price of our common stock has been, and is likely to continue to be, volatile. Since shares of our common stock were sold in our initial public offering at a price of $8.00 per share, our stock price has ranged from $2.77 to $8.20 through March 15, 2014. In addition to the factors discussed in this Annual Report, the trading price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including price and volume fluctuations in the stock market, including as a result of trends in the economy as a whole or relating to companies in our industry; actual or anticipated fluctuations in our revenue, operating results or key metrics, including our number of members and unique visitors; investor sentiment with respect to our competitors, our business partners, and our industry in general; announcements by us or our competitors of significant products or features, technical innovations, strategic partnerships, joint ventures or acquisitions; additional shares of our common stock being sold into the market by us or our existing stockholders or the anticipation of such sales; and other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

The securities of technology companies, especially Internet companies, have experienced wide fluctuations subsequent to their initial public offerings, including trading at prices below the initial public offering prices. Factors that could affect the price of our common stock include risk factors described in this section. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular industries or companies. For example, the capital and credit markets have been experiencing volatility and disruption for more than 12 months. Starting in September 2008, the volatility and disruption have reached extreme levels, developing into a global crisis. As a result, stock prices of a broad range of companies worldwide, whether or not they are related to financial services, have declined significantly. These market fluctuations may also have a material adverse effect on the market price of our common stock. The aggregate value of the shares of common stock offered by us is relatively small and may result in relatively low trading volumes in our common stock, making it more difficult for our stockholders to sell their shares.

The NASDAQ Capital Market may delist our common stock from quotation on its exchange which could limit investors' ability to trade our common stock and subject our shares to additional trading restrictions.

Our common stock trades on the NASDAQ Capital Market ("NASDAQ"). However, we cannot assure you that our common stock will meet the continued listing requirements to be listed on NASDAQ in the future. The continued listing standards for the NASDAQ Capital Market include, among others, a minimum bid price requirement of $1.00 per share and any of: (i) a minimum stockholders' equity of $2.5 million; (ii) a market value of listed securities of at least $35.0 million; or (iii) net income from continuing operations of $500,000 in the most recently completed fiscal year or in the two of the last three fiscal years.

If, following our initial public offering, NASDAQ decides to delist our common stock from trading on its exchange, we could face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our proposed amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 1,000,000 shares of undesignated preferred stock;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors, and also specify requirements as to the form and content of a stockholder's notice;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that our directors may be removed only for cause and only by the affirmative vote of at least a majority of the total voting power of our outstanding capital stock, voting as a single class; and
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock voting in any election of directors to elect all of the directors standing for election, if they should so choose).

These provisions may frustrate or prevent attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder.

We may invest or spend the proceeds of our initial public offering in ways with which you may not agree or in ways that may not yield a return.

Our public offering net proceeds to the company were $18.1 million. The company had $2.3 million dollars in cash prior to the initial public offering. Since the public offering, the company has used $400,000 of cash to purchase the assets of CareerImp and Resunate. The company used $200,000 of cash and will use at least another $200,000 in cash during 2014 and 2015 relating to the purchase of the assets of Personnel Strategies, Incorporated, the events business purchased by the company in 2013. Up to an additional $400,000 may be used relating to the asset purchase if the operator of the events sector of our company achieves certain performance targets. Furthermore, the company utilized $446,000 of cash resulting from a loss on operations since the initial public offering. The company completed the 2013 fiscal year with $18.6 million in cash, $1.2 million of accounts receivables, and $200,000 of accounts payables. The purchase of the assets of CareerImp enabled the company to develop and deploy new products and enhance our website at a rapid pace, with cost effectiveness. This has reduced the amount of funds we require for further product development, as our web platform is new as of 2013. As of the end of 2013, the company has not utilized any of the proceeds of our public offering. The funds expended to build our sales, marketing and product capabilities, and to purchase the assets of Personnel Strategies Incorporated and CareerImp were drawn from cash and receivables in the company at the time of the initial public offering.

Our intent for the proceeds of the public offering are to utilize up to $1 million dollars to purchase stock in our company, to utilize approximately 15% of the balance of the net proceeds of our initial public offering for sales and marketing, to utilize 10% of the net proceeds for product development, to utilize 50% of the net proceeds for strategic acquisitions and reserve the remaining 25% of the net proceeds for future growth opportunities. From time to time, we may meet with and identify acquisition targets, and could initiate or consummate acquisitions or investments in other companies, which acquisitions or investments could be material to our business and financial condition. Our management will have considerable discretion in the application of the net proceeds and may change the proposed uses without notice. The net proceeds may be used for corporate purposes that do not increase our operating results or the market value of our securities. Until the net proceeds are used, they may be placed in investments that do not produce significant income or that may lose value.

We have identified a material weakness in our internal control over financial reporting related to segregation of incompatible duties and the application of complex accounting principles, and cannot assure you that additional material weaknesses will not be identified in the future. Our failure to implement and maintain effective internal control over financial reporting could result in material misstatements in our financial statements which could require us to restate financial statements, cause investors to lose confidence in our reported financial information and could have an adverse effect on our share price or our debt ratings.

Management, through documentation, testing and assessment of our internal control over financial reporting has concluded that our internal control over financial reporting had a material weakness related to deficiencies in controls over the segregation of incompatible duties and the application of complex accounting principles as of December 31, 2013. See Item 9A - Controls and Procedures. While we believe we have other controls in place that are operating effectively and mitigate the risk of material misstatement, these control deficiencies could result in a misstatement of the presentation and disclosure of our financial statements that would result in a material misstatement in our annual or interim financial statements that would not be prevented or detected.

During 2013 and into the first quarter of 2014, we undertook certain improvements to remediate material weaknesses related to our internal control over financial reporting for the period ended December 31, 2013. Specifically, we implemented new policies to more fully segregate incompatible duties and enhance the overall internal control structure. Additional procedures were written supporting which functions employees with access to the general ledger system can access, which will provide additional internal control enhancements. In addition, we hired additional finance personnel to improve our segregation of incompatible duties within our accounting and financial reporting functions and also engaged a third party external financial reporting specialist with expertise in GAAP and SEC reporting regulations.

If we are unable to effectively remediate this material weakness in a timely manner, or if we identify one or more additional material weaknesses in the future, investors could lose confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our share price or our debt ratings.

We cannot assure you that additional material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional material weaknesses, cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in our share price.

While we currently qualify as an "emerging growth company" under the JOBS Act, we will lose that status at the latest by the end of 2018, which will increase the costs and demands placed upon our management.

We will continue to be deemed an emerging growth company until the earliest of (i) the last day of the fiscal year during which we had total annual gross revenues of $1,000,000,000 (as indexed for inflation); (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of common stock under this registration statement; (iii) the date on which we have, during the previous 3-year period, issued more than $1,000,000,000 in non-convertible debt; or (iv) the date on which we are deemed to be a 'large accelerated filer,' as defined by the SEC, which would generally occur upon our attaining a public float of at least $700 million. Once we lose emerging growth company status, we expect the costs and demands placed upon our management to increase, as we would have to comply with additional disclosure and accounting requirements, particularly if our public float should exceed $75 million on the last day of our second fiscal quarter in any fiscal year following our initial public offering, which would disqualify us as a smaller reporting company.

We are an "emerging growth company" and we cannot be certain that the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

The JOBS Act permits "emerging growth companies" like us to rely on some of the reduced disclosure requirements that are already available to smaller reporting companies, which are companies that have a public float of less than $75 million. As long as we qualify as an emerging growth company or a smaller reporting company, we would be permitted to omit the auditor's attestation on internal control over financial reporting that would otherwise be required by the Sarbanes-Oxley Act, as described above and are also exempt from the requirement to submit "say-on-pay", "say-on-pay frequency" and "say-on-parachute" votes to our stockholders and may avail ourselves of reduced executive compensation disclosure that is already available to smaller reporting companies.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this until we are no longer an emerging growth company or until we affirmatively and irrevocably opt out of this exemption. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We will cease to be an emerging growth company at such time as described in the risk factor immediately above. Until such time, however, we cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile and could cause our stock price to decline.

We do not intend to pay dividends for the foreseeable future.

Following the completion of our offering, we do not intend to declare or pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

ITEM 1B — UNRESOLVED STAFF COMMENTS

None.

ITEM 2 — PROPERTIES

We lease approximately 4,600 square feet of space for our headquarters in Chicago, Illinois under a lease that expires on June 30, 2015. We also lease approximately 1,900 square feet of office space in Minnetonka, Minnesota for our Events business under a lease that expires September 30, 2014.

We believe that our current facilities are adequate to meet our current needs. We may expand our facilities or add new facilities as we add employees and enter new geographic markets, and we believe that suitable additional or alternative space will be available as needed to accommodate ongoing operations and any such growth. However, we expect to incur additional expenses in connection with such new or expanded facilities.

ITEM 3 — LEGAL PROCEEDINGS

We are subject to legal proceedings and litigation arising in the ordinary course of business, although no such proceedings or litigation is currently pending. We are not aware of any governmental authority contemplating any legal proceeding against us.

ITEM 4 — MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 — MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been listed on the NASDAQ Capital Market under the symbol "IPDN" since March 5, 2013. Prior to that date, there was no public trading market for our common stock.

	High		Low	
Year Ended December 31, 2013				
First Quarter	$	8.20	$	4.51
Second Quarter	$	7.09	$	3.84
Third Quarter	$	5.50	$	4.01
Fourth Quarter	$	5.70	$	4.35

Holders

As of March 14, 2014, we had 6 holders of record of our common stock. Since certain of our shares are held by brokers and other institutions on behalf of stockholders, the foregoing number is not representative of the number of beneficial owners of our common stock.

Dividends

We have never declared or paid any cash dividends on our capital stock. We currently intend to use the net proceeds from our initial public offering and our future earnings, if any, to finance the further development and expansion of our business and do not intend or expect to pay cash dividends in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, outstanding indebtedness and plans for expansion and restrictions imposed by lenders, if any.

Recent Sales of Unregistered Securities

As part of our reorganization, we entered into a debt exchange agreement with Ferdinando Ladurini, Daniel Ladurini and James R. Kirsch whereby our three outstanding promissory notes in the principal amounts of $1,341,676, $142,000 and $37,143 plus accrued interest owed to them, respectively, were exchanged for 168,982 shares, 28,851 shares and 7,547 shares, respectively, of our common stock at the public offering price of $8.00 per share. This transaction was exempt from registration under the Securities Act pursuant to Section 4(2) thereunder.

Use of Proceeds from Sales of Registered Securities

On March 8, 2013, we consummated our initial public offering of 2,625,000 shares of our common stock at a price to the public of $8.00 per share. The aggregate offering price for shares sold in the offering was approximately $21 million. The offer and sale of all of the shares in the offering were registered under the Securities Act pursuant to registration statements on Form S-1 (File Nos. 333-187081 and 333-181594), which were declared effective by the SEC on March 4, 2013 and March 7, 2013, respectively. Aegis Capital Corp. and Merriman Capital, Inc. acted as the underwriters for the offering. The net proceeds of the offering, after deducting the underwriting discounts and commissions, the underwriters' accountable expense allowance of up to 1.5% of the gross proceeds from the sale of the firm shares and offering expenses payable by us, were approximately $18.1 million. If the underwriters exercise their option to purchase additional shares in full, our net proceeds from the offering will be approximately $21.1 million, after deducting the underwriting discounts and commissions, the underwriters' accountable expense allowance and offering expenses payable by us.

We currently intend to utilize up to $1 million dollars to purchase stock in our company, approximately 15% of the balance of the net proceeds of our initial public offering for sales and marketing, 10% of the net proceeds for product development, 50% of the net proceeds for strategic acquisitions and reserve the remaining 25% of the net proceeds for future growth opportunities. Although from time to time, we may meet with and identify acquisition targets, we currently have no agreements or commitments with respect to material acquisitions or investments in other companies. Management retains broad discretion in the allocation of the net proceeds of the offering. These expected uses of net proceeds from the offering represents our current intentions, based upon our present plans and business conditions; however, our plans and business conditions are subject to change and there may be circumstances where a reallocation of funds is necessary. The amount and timing of our actual expenditures depend on numerous factors, including fluctuations in corporate hiring, economic conditions and availability of opportunities. Accordingly, we may change the allocation of use of these proceeds as a result of contingencies.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total # of Shares Purchased	Average Price per Share	Total # of Shares Purchased as Part of a Publicly Announced Plan	Maximum # of Shares (or Approximate Dollar Value) That May be Purchased Under the Plan
August 1, – August 31, 2013 (1)	3,925	$ 4.96	3,925	None
December 1, - December 31, 2013 (2)	2,200	$ 5.16	2,200	$ 988,745

(1) These shares were purchased by the company's Chief Executive Officer, James Kirsch, pursuant to a Rule 10b5-1 purchase plan announced on May 29, 2013.
(2) These shares were purchased by the company as part of a share repurchase program authorized and renewed by the Board of Directors in November 2013.

Treasury Shares

The company purchased treasury shares in December 2013 as part of a Share Repurchase Program authorized and renewed by the Board of Directors in November 2013. Under this program, the company purchased 1,500 shares on December 6, 2013 at an average cost of $5.17 per share and 700 shares on December 10, 2013 at an average cost of $5.00 per share. These shares are held in Treasury.

ITEM 6— SELECTED FINANCIAL DATA

Not Required for Smaller Reporting Companies.

ITEM 7 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and the related notes to the consolidated financial statements.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto in Item 8, "Financial Statements and Supplementary Data," in Part II of this Annual Report. This discussion contains forward-looking statements, which are based on our assumptions about the future of our business. Our actual results will likely differ materially from those contained in the forward-looking statements. Please read "Special Note Regarding Forward-Looking Statements" for additional information regarding forward-looking statements used in this Annual Report.

Overview

We generate revenue through numerous sources all of which involve recruitment services. We offer job postings, recruitment advertising, semantic search technology, career and networking events. We also license our recruitment technology platform. We currently have over 500 companies utilizing our products and services. Less than 2% of our revenue is transacted online via ecommerce; the majority of our sales are consummated via direct interaction with our diversity recruitment sales professionals. Our largest single client is LinkedIn, which represented 50% of our revenue in 2013. Apollo Education Group, is our second largest client which represented 36% of our revenue in 2013. Our next largest client represents 2% of our revenue

Market Directly to Recruiters

We commenced development of an internal business plan to market diversity recruitment services to businesses directly prior to December 31, 2012 due to uncertainty of whether our agreement with Monster Worldwide would expire. Following the expiration of that agreement as of January 1, 2013, we began using certain existing employees and hired additional personnel to focus on these direct marketing activities. We currently employ 21 professionals in sales, sales support and marketing who are all trained in selling our products and services. We have one group that is responsible for setting up first meetings with prospect companies, another group that conducts the first meeting and matures the conversation to what we hope is a successful conclusion, and a third group of sales professionals who provide ongoing account management and are responsible for successful client renewals.

We believe favorable market conditions will be necessary for us to succeed following the termination of our relationship with LinkedIn and the initiation of our direct marketing initiative. We will need lead time to develop the new sales group and it will require significant additional investments to successfully market and sell our recruiting services directly to employers and our ability to succeed is uncertain.

We have segregated the diversity recruitment market into three sectors:

- Federal, state and local governments and companies and contractors who serve these governmental entities.
- Small and medium sized businesses as defined by companies with less than 2,500 employees.
- Large enterprises with greater than 2,500 employees.

Our sales team will approach these markets using a combination of telephone and email marketing as well as, in some cases, personal visits to companies and or their recruitment agencies. We also plan to attend major recruitment conferences where diversity recruitment recruiters are in attendance. We have invested in our direct sales infrastructure and expect to continue to do so in the future. The sales and marketing team consists of 21 professionals. We plan to continue to invest in our sales and marketing team in 2014, as they mature to a self-supporting group of professionals. These costs are primarily for sales personnel and to support the sales team with tools such as client relationship management systems, personal computers and travel expenses. The sales expenses are variable and can be adjusted to meet market conditions.

Our agreement with LinkedIn will terminate as of March 29, 2014. Upon termination the company will be not be restricted to sell any company its products and services. The agreement the company had with Monster Worldwide expired on December 31, 2012. The company has no restrictions or obligations relating to its former agreement with Monster Worldwide.

Revenue from our recruitment sector will be impacted positively and negatively by certain general macroeconomic conditions, such as the national unemployment rate. An increase in demand for employees should create market conditions favorable to recruitment companies like PDN. Conversely, a weak employment environment should have a negative impact. We believe that our focus on diverse professionals mitigates this risk because of the social and political environment in the United States. We believe recent trends indicate an increased focus by companies on hiring diverse Americans for both compliance and business reasons. For example, as the Hispanic population grows and companies seek to conduct business with this population, we expect companies will hire aggressively within the Hispanic community, resulting in a robust demand for bilingual English/Spanish speakers and writers. Because of our specialization and focus in diversity recruitment, as opposed to general recruitment, we have not yet experienced negative pricing pressure associated with product commoditization (which is the act of making a product or service easy to obtain by making it as uniform, plentiful and affordable as possible).

Our agreement with LinkedIn will terminate on March 29, 2014. There are no post termination restrictions on our ability to sell any employers our diversity recruitment services. As part of our termination with LinkedIn we will provide ongoing job postings and reporting for those employers to whom LinkedIn sold our diversity recruitment services. We are not restricted from entering into a direct recruitment relationship with those companies that are using our products and services via the LinkedIn reseller agreement.

Recruitment Advertising. Diversity recruitment advertising enables recruiters to communicate their career opportunities to diverse candidates using Internet banner ads and email marketing. In the past year we have provided diversity recruitment advertising services to numerous employers. We use sophisticated technology to delivery advertising targeted by geography and occupation. Our targeting is based upon data that we have accumulated relevant to our audiences' job searches on our sites and vast profiles based upon those user experiences.

Cost of Growth

In the fiscal year ended December 31, 2012, we began to increase our sales and marketing, as well as product development expenses. We continued making these investments in people and technology in 2013 as we refined and focused our sales, marketing and technology teams. Such expenses were not capitalized under our financial statements in accordance with generally accepted accounting principles, and we do not expect to see significantly increased revenues resulting from these investments until the first quarter of 2014. Therefore, as we execute our strategy to increase recruitment revenue by hiring additional personnel, expanding our marketing efforts and building a sales team, our profitability has declined and may continue to decline in the near-term.

Results of Operations

The following tables set forth our results of operations for the periods presented (certain items may not foot due to rounding). The period-to-period comparison of financial results is not necessarily indicative of future results.

Comparison of the Year Ended December 31, 2013 with the Year Ended December 31, 2012

The following tables set forth our results of operations for the periods presented as a percentage of revenue for those periods (certain items may not foot due to rounding). The period to period comparison of financial results is not necessarily indicative of future results.

	Years Ended December 31, 2013	2012	Change (Dollars)	Change (Percent)
	(in thousands)			
Revenues				
Recruitment services	$ 2,468	$ 4,000	$ (1,532)	(38.3%)
Consumer advertising and consumer marketing solutions revenue	1,566	2,154	(588)	(27.3%)
Total revenues	4,035	6,154	(2,119)	(34.4%)
Costs and expenses:				
Cost of services	1,153	805	347	43.1%
Sales and marketing	2,347	1,483	864	58.3%
General and administrative	2,268	1,222	1,046	85.6%
Depreciation and amortization	282	113	169	149.4%
Gain on sale of property and equipment	(4)	0	(4)	(100.0%)
Total costs and expenses	6,045	3,623	2,422	66.8%
(Loss) income from operations	(2,010)	2,531	(4,541)	(179.4%)
Other expense, net	(137)	(159)	22	(14.0%)
Change in fair value of warrant liability	330	0	330	100.0%
Income tax benefit	(381)	0	(381)	(100.0%)
Net (loss) income	$ (1,436)	$ 2,372	$ (3,808)	(160.6%)

Revenue

	Years Ended December 31, 2013	2012
Percentage of revenue by product:		
Recruitment services	61%	65%
Consumer advertising and consumer marketing solutions revenue	39%	35%

Total recruitment services revenue decreased 38% for the year ended December 31, 2013, compared to the same period in the prior year. Revenue from our recruitment solutions decreased $1,532,000 for the year ended December 31, 2013, compared to the prior year, as the fixed fee we receive pursuant to our LinkedIn agreement is half of the fixed fee we received pursuant to our Monster Worldwide agreement prior to its termination at the end of 2012.

Partially offsetting this decrease was $167,000 of revenues generated from our Events Division. At the end of the third quarter of 2013, we completed the purchase of the assets of Personnel Strategies, Inc. ("PSI"). PSI had been operating diversity focused Job Fairs throughout the country for over 20 years. We are operating this business as the Events Division of the company.

Additionally, during the year ended December 31, 2013, we recognized $230,000 of revenues related to direct sales of our recruitment services.

Revenue from our consumer advertising and consumer marketing solutions was $1,566,000 for the year ended December 31, 2013, compared to $2,154,000 for the year ended December 31, 2012. The year over year decrease was primarily the result of changes in our agreements with Apollo Group and a decrease in media revenue as we changed our product offerings. The revenue from our Apollo Education to Careers Agreement, which consists of a fixed monthly fee of $116,667, remained the same. However, the advertising and promotion campaign for Apollo Group's Education to Education Affinity Networking Portal Site ended in June 2012 and such termination resulted in a decrease in revenue of $150,000 for the year ended December 31, 2013. Additionally, we mutually ended our insertion order agreement with the Apollo Group for lead generation for the University of Phoenix in June 2013 and such termination resulted in a decrease in revenue of $307,000 for the year ended December 31, 2013. Our media revenue for the year ended December 31, 2013 was $0, compared to $126,000 for the year ended December 31, 2012, as our 2013 efforts focused on growing our recruitment solutions products.

Operating Expenses

Cost of services expense: The increase in cost of services expense for the year ended December 31, 2013 was due to (i) a $207,000 increase in salaries and benefits for the year ended December 31, 2013 resulting from hiring additional operations personnel in the third quarter of 2012 to support our expected revenue and traffic growth in 2013 and (ii) $203,000 of direct costs incurred in connection with our Events Division. Due to the seasonality of the events industry and the process of integrating this business, we had expected a significant cost for this division in the fourth quarter. Additionally, higher maintenance and operation expenses related to our systems and websites resulted in an increase of $56,000 of expenses during the year ended December 31, 2013. The increase was offset by a $73,000 decrease in revenue sharing expenses for the year ended December 31, 2013 due to more favorable terms negotiated with partners and changes in partner relationships. A $49,000 decrease in consulting expenses for the year ended December 31, 2013 was the result of a decrease in our advertising and media services due to the change in our product offerings.

Sales and marketing expense: Sales and marketing expense for the year ended December 31, 2013 was $2,347,000, an increase of $864,000, or 58%, compared to $1,483,000 for the year ended December 31, 2012. The increase primarily consisted of an increase of $762,000 for the year ended December 31, 2013 in sales and marketing salaries, commissions and benefits and a $84,000 increase in travel, meals and entertainment expense for the year ended December 31, 2013 which resulted from hiring additional staff to support our 2013 direct sales capabilities. Additionally, marketing and consulting expenses increased $168,000 and $70,000, respectively, during the year ended December 31, 2013 primarily related to customer database management tools. The increases were partially offset by a $205,000 decrease in online marketing expense during the year ended December 31, 2013 as a result of the 2013 initiative to market and sell directly to potential customers.

General and administrative expense: The increase in general and administrative expenses for the year ended December 31, 2013, compared to the year ended December 31, 2012, was primarily due to the additional costs incurred of approximately $661,000 during the year ended December 31, 2013 related to being a public company, including costs associated with audit, legal, directors and officers insurance, investor relations and filing fees and registration. Additionally, personnel expenses increased by $70,000 for the year ended December 31, 2013 related to the hiring of additional personnel to support our initial public offering. In connection with the acquisition of the software technology from Careerimp in June 2013, we committed to pay Careerimp an additional $200,000 contingent upon the former CEO's continued employment with PDN through December 31, 2013. Additionally, in connection with the acquisition of PSI, we committed to pay the former CEO an additional $100,000 on each of September 20, 2014 and 2015 contingent upon his continued employment with PDN on each of those respective dates. We recorded $225,000 of these contingent liabilities during the year ended December 31, 2013. We also experienced an increase of $122,000 for the year ended December 31, 2013 in occupancy, technology and communication costs as we moved our corporate headquarters to a larger space and hired additional employees. The increase was offset by a $43,000 decrease in travel, meals and entertainment expense for the year ended December 31, 2013 and a $49,000 decrease in bad debt expense for the year ended December 31, 2013.

Depreciation and amortization expense: The increase in depreciation and amortization expense for the year ended December 31, 2013, compared to the year ended December 31, 2012, was primarily due to a $164,000 increase in amortization expense for the year ended December 31, 2013 related to the costs incurred to update the technology stack of our web product platform to support emerging technologies. We switched over to the platform, dubbed "V2," at the end of 2012, though the development continued through the first quarter of 2013. Amortization expense also reflects the amortization of the software technology acquired from Careerimp in June 2013.

Other Expenses

Included in other expenses, net, for the years ended December 31, 2013 and 2012 is interest expense in the amount of $155,000 and $172,000, respectively. Interest expense is primarily attributable to the amortization of the discount on the note payable to one of the note holders as the note was exchanged to equity upon our reorganization on March 4, 2013. Amortization of the discount amounted to $138,000 and $70,000 for the year ended December 31, 2013 and 2012, respectively, for the note.

Change in Fair Value of Warrant Liability

The change in the fair value of the warrant liability is related to the common stock purchase warrants issued to underwriters in the Company's IPO on March 4, 2013. During the year ended December 31, 2013, we recorded a non-cash gain of $330,000 related to changes in the fair value of our warrant liability liabilities. The change in the fair value of our warrant liability for the year ended December 31, 2013 was primarily the result of changes in our stock price.

Income Tax (Benefit) Expense

As a result of the Company's completion of its IPO, the Company's results of operations are taxed as a C Corporation. Prior to the IPO, the Company's operations were taxed as a limited liability company, whereby the Company elected to be taxed as a partnership and the income or loss was required to be reported by each respective member on their separate income tax returns. Therefore, no provision for income taxes was recorded for periods prior to March 4, 2013.

This change in tax status to a taxable entity resulted in the recognition of deferred tax assets and liabilities based on the expected tax consequences of temporary differences between the book and tax basis of the Company's assets and liabilities at the date of the IPO. This resulted in a net deferred tax benefit of $381,000 being recognized and included in the tax provision for the year ended December 31, 2013. The tax benefit was determined using an effective tax rate of 40.6% for the period from March 4, 2013 (the date on which the tax status changed to a C Corporation) to December 31, 2013.

The unaudited pro forma computation of income tax benefit included in the statements of comprehensive (loss) income, represents the tax effects that would have been reported had the Company been subject to U.S. federal and state income taxes as a corporation for all periods presented. The company provided the pro forma income tax disclosures for the years ended December 31, 2013 and 2012 to illustrate what the company's net (loss) income would have been had income tax expense been provided for at an effective tax rate of 40.6% and 41.0%, respectively. Pro forma taxes are based upon the statutory income tax rates and adjustments to income for estimated permanent differences occurring during each period. Actual rates and expenses could have differed had the Company actually been subject to U.S. federal and state income taxes for all periods presented. Therefore, the unaudited pro forma amounts are for informational purposes only and are intended to be indicative of the results of operations had the Company been subject to U.S. federal and state income taxes as a corporation for all periods presented.

Critical Accounting Policies and Estimates

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company," we may delay adoption of new or revised accounting standards applicable to public companies until the earlier of the date that (i) we are no longer an emerging growth company or (ii) we affirmatively and irrevocably opt out of the extended transition period for complying with such new or revised accounting standards. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. Upon issuance of new or revised accounting standards that apply to our financial statements, we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting guidelines.

Our management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments, including those described below. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results and experiences may differ materially from these estimates.

While our significant accounting policies are more fully described in Note 3 to our financial statements included at the end of this Annual Report, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our reported financial results and affect the more significant judgments and estimates that we use in the preparation of our financial statements.

Accounts Receivable

Our policy is to reserve for uncollectible accounts based on our best estimate of the amount of probable credit losses in our existing accounts receivable. We periodically review our accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Goodwill and Intangible Assets

We account for goodwill and intangible assets in accordance with Accounting Standards Codification ("ASC") 350, Intangibles - Goodwill and Other ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

We evaluate goodwill for impairment annually (December 31) and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Triggering events that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of goodwill or a significant decrease in expected cash flows.

When conducting our annual goodwill impairment assessment, we apply the two-step impairment test. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying value exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of that goodwill. Any excess of the goodwill carrying value over the respective implied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value.

Capitalized Technology Costs

We account for capitalized technology costs in accordance with ASC 350-40, Internal-Use Software. In accordance with ASC 350-40, we capitalize certain external and internal computer software costs incurred during the application development stage. The application development stage generally includes software design and configuration, coding, testing and installation activities. Training and maintenance costs are expensed as incurred, while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized software costs are amortized over the estimated useful lives of the software assets on a straight-line basis, generally not exceeding three years.

Revenue Recognition

Our principal sources of revenue are recruitment revenue and consumer marketing and consumer advertising revenue. Our recruitment revenue prior to January 1, 2013 was derived from our strategic partnership agreement with Monster Worldwide. Beginning as of January 1, 2013, our recruiting revenue is generated under our agreement with LinkedIn. Revenues from recruitment services are recognized when the services are performed, evidence of an arrangement exists, the fee is fixed or determinable and collectability is probable. Our recruitment revenue is derived from agreements through single and multiple job postings, recruitment media, talent recruitment communities, basic and premier corporate memberships, hiring campaign marketing and advertising, e-newsletter marketing and research and outreach services.

Consumer marketing and consumer advertising revenue is recognized either based upon a fixed fee for revenue sharing agreements in which payment is required at the time of posting, or billed based upon the number of impressions (the number of times an advertisement is displayed) recorded on the websites as specified in the customer agreement.

Income Taxes

Until March 5, 2013, the Company was a limited liability company which elected to be taxed as a partnership. As such the Company's income or loss was required to be reported by each respective member on their separate income tax returns. Therefore, no provision for income taxes had been provided in the accompanying financial statements. The pro forma income tax disclosure presented in the accompanying statements of comprehensive income for the year ended December 31, 2012 is provided to illustrate what the Company's net income (loss) would have been had income tax expense (benefit) been provided for as a C Corporation for the full reporting period.

Upon the consummation of our reorganization (from an Illinois limited liability company into a Delaware corporation) on March 5, 2013, the Company is now taxed as a "C" Corporation from the time of reorganization through December 31, 2013. The Company provides for income taxes using an asset and liability approach, under which deferred income taxes are provided based upon enacted tax laws and rates applicable to periods in which the taxes become payable. As of December 31, 2013, the Company is in a net deferred tax asset position.

In accounting for uncertainty in income taxes, we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Company recognizes interest and penalties on any unrecognized tax benefits as a component of income tax expense. Based on an evaluation of the Company's tax positions, management believes all positions taken would be upheld under an examination.

Liquidity and Capital Resources

The following table summarizes our liquidity and capital resources as of and for the years ended December 31, 2013 and 2012, respectively, and is intended to supplement the more detailed discussion that follows:

	December 31, 2013	December 31, 2012
	(in thousands)	
Cash and cash equivalents	$ 18,736	$ 868
Short-term investments	$ 0	$ 251
Working capital	$ 18,533	$ 2,256

Our principal sources of liquidity are our cash and cash equivalents, marketable securities, cash generated from operations and the net proceeds from our initial public offering. Our payment terms for our customers range from 30 to 60 days. We consider the difference between the payment terms and payment receipts a result of transit time for invoice and payment processing and to date have not experienced any liquidity issues as a result of the payments extending past the specified terms. Cash and cash equivalents and short term investments consist primarily of cash on deposit with banks and investments in money market funds, corporate and municipal debt and U.S. government and U.S. government agency securities.

In March 2013, we received an approximately $18.1 million cash infusion in connection with the completion of our IPO.

The non-renewal of our agreement with Monster Worldwide and the commencement of our business relationship with LinkedIn had a material impact on revenue and operating cash flow during the year ended December 31, 2013. This is due to the fact that the LinkedIn agreement provides that LinkedIn makes fixed quarterly payments to us in the amount of $500,000 per quarter, which is half of the $1,000,000 fixed quarterly payments we received from Monster Worldwide. Our agreement with LinkedIn will end March 29, 2014, along with the related $500,000 fixed quarterly payments.

We currently anticipate that our available funds and cash flow from operations will be sufficient to meet our working capital requirements for the next twelve months.

	Years Ended December 31, 2013	Years Ended December 31, 2012
	(in thousands)	
Cash provided by (used in):		
Operating activities	$ (415)	$ 2,618
Investing activities	(470)	(230)
Financing activities	18,753	(3,774)
Net increase (decrease) in cash and cash equivalents	$ 17,868	$ (1,386)

Cash and Cash Equivalents

The company considers cash and cash equivalents to include all short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Net Cash (Used In) Provided by Operating Activities

Net cash used in operating activities for the year ended December 31, 2013 was $415,000. The cash flow used in operations during 2013 was primarily attributable to changes in our assets and liabilities, mainly consisting of a decrease to accounts receivable of $756,000 and an increase in deferred revenue of $524,000. Accounts receivable decreased approximately 37% in 2013 while our revenue declined 34%. The decrease in accounts receivable was due to the collection of outstanding receivables. We had a net loss of $1,436,000 which included non-cash depreciation and amortization of $282,000, non-cash interest and accretion added to our notes payable of $155,000, a non-cash deferred tax benefit of $381,000, and a decrease in the fair value of a warrant liability of $330,000.

Net cash provided by operating activities during the year ended December 31, 2012 was $2,618,000, primarily due to our increased revenue and operating efficiencies. The cash flow provided from operations during 2012 was due to changes in our assets and liabilities consisting of an increase in accounts receivable of $18,000, an increase in prepaid expenses of $64,000 and a decrease in accounts payable and accrued expenses of $12,000. Accounts receivable, adjusted for deferred revenue in accounts receivable, decreased approximately 2.2% in 2012, while our revenue grew 10.5%. The decrease in accounts receivable was due to lower media and advertising sales in the fourth quarter of 2012 as we channeled our fourth quarter efforts to preparing our sales team for direct sales in 2013 and our media and marketing team on testing and perfecting our new technology platform to go live on January 2, 2013. The increase in prepaid expenses consisted of prepaid business insurance, prepaid health insurance and prepaid rent, while the decrease in accounts payable and accrued expenses consists of a decrease in accrued operating expenses. We had net income in 2012 of $2,372,000 which included non-cash depreciation and amortization of $113,000 and non-cash interest and accretion added to our notes payable of $172,000 and $49,000 of bad debt expense.

Net Cash Used in Investment Activities

Net cash used in investing activities for the year ended December 31, 2013 was $470,000. The cash used in investing activities primarily consisted of $200,000 paid for the acquisition of technology, $355,000 invested in developed technology as the Company embarked on updating the technology stack of its web product platform to support emerging technologies, $136,000 of net cash paid for the acquisition of PSI, and $38,000 in purchases of property and equipment. This was offset by proceeds from the sale of marketable securities of $242,000.

Net cash used in investing activities during the year ended December 31, 2012 was $230,000. The cash used in investing activities primarily consisted of $151,000 in proceeds from the sale of investments, offset by $358,000 invested in developed technology as we incurred costs to update and enhance our websites.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was $18,753,000 for the year ended December 31, 2013. The cash provided by financing activities consisted of $19,475,000 in net proceeds from our initial public offering less $510,000 in initial public offering costs paid by the Company. We paid $200,000 in distributions to members of the Company prior to our reorganization and $11,000 in payments for the repurchase of our common stock.

Net cash used in financing activities was $3,774,000 during the year ended December 31, 2012. The cash used in financing activities consisted of $2,900,000 in distributions to members of the company, of which $2,400,000 were distributions to cover taxes since the company was an LLC, $176,000 in payments on our notes payable to founding members of the company and $698,000 of our public offering costs, which were deferred.

Off-Balance Sheet Arrangements

Since inception, we have not engaged in any off-balance sheet activities as defined in Regulation S-K Item 303(a)(4).

Recent Accounting Pronouncements

In February 2013, the FASB issued amended standards to improve the reporting of reclassifications out of accumulated other comprehensive income by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is reclassified to a balance sheet account (for example, inventory) instead of directly to income or expense in the same reporting period. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. The adoption of the provisions in this update did not have a significant impact on our consolidated financial statements.

ITEM 7A — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8 — FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the F-Pages contained herein, which include our audited consolidated financial statements and are incorporated by reference in this Item 8.

ITEM 9 — CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A — CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness, as of the end of the period covered by this report, of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The purpose of this evaluation was to determine whether as of the evaluation date our disclosure controls and procedures were effective to provide reasonable assurance that the information we are required to disclose in our filings with the Securities and Exchange Commission, ("SEC") under the Exchange Act: (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation and because of the material weakness described below, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of the end of the period covered in this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (principal executive officer and principal financial officer, respectively), is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. We have designed our internal controls to provide reasonable assurance that our financial statements are prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP), and include those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management conducted an evaluation of the effectiveness of our internal controls based on the criteria set forth by the Committee of Sponsor Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (1992 framework) as of December 31, 2013, the end of the period covered in this Annual Report on Form 10-K.

Based on this evaluation and because of the material weakness described below, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of the end of the period covered in this Annual Report on Form 10-K. To address the material weakness described below, we have expanded our disclosure controls and procedures to include additional analysis and other procedures over the preparation of the financial statements included in this report. Accordingly, our management has concluded that the financial statements included in this report fairly present in all material respects our financial position, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles.

This Annual Report on Form 10-K does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to rules of the SEC that permit the company to provide only management's report in this Annual Report on Form 10-K.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is a control deficiency or a combination of control deficiencies that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Our management has concluded that, as of December 31, 2013, we did not maintain effective controls over the preparation, review, presentation and disclosure of our financial statements. Specifically, we identified deficiencies in controls related to the segregation of incompatible duties and the application of complex accounting principles. While we believe we have other controls in place that are operating effectively and mitigate the risk of material misstatement, these control deficiencies could result in a misstatement of the presentation and disclosure of our financial statements that would result in a material misstatement in our annual or interim financial statements that would not be prevented or detected. Accordingly, management determined that these control deficiencies constitute a material weakness in our internal control over financial reporting as of December 31, 2013.

Plan for Remediation of Material Weakness

During 2013 and into the first quarter of 2014, we undertook certain improvements to remediate material weaknesses related to our internal control over financial reporting for the period ended December 31, 2013.

Specifically, the company implemented new policies to more fully segregate incompatible duties and enhance the overall internal control structure. Additional procedures were written supporting which functions employees with access to the general ledger system can access, which will provide additional internal control enhancements. In addition, we hired additional finance personnel to improve our segregation of incompatible duties within our accounting and financial reporting functions and also engaged a third party external financial reporting specialist with expertise in GAAP and SEC reporting regulations.

We anticipate that the actions described above and resulting improvements in controls will strengthen the company's internal control over financial reporting and will, over time, address the related material weakness. However, because many of the controls in the company's system of internal controls rely extensively on manual review and approval, the successful operation of these controls may be required for several quarters prior to management being able to conclude that the material weakness has been remediated.

Limitations on the Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our fiscal period ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B — OTHER INFORMATION

None.

PART III

ITEM 10 — DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers of the Registrant

The following table provides the name, age and position of each of our executive officers and directors as of March _24_, 2014. There are no family relationships between our executive officers and directors.

Name	Age	Position
James Kirsch	53	Chief Executive Officer and Chairman of the Board
Rudy Martinez	56	Executive Vice President, CEO of iHispano.com Division
David Mecklenburger	53	Chief Financial Officer and Secretary
Chad Hoersten	37	Chief Technology Officer
Daniel Sullivan	44	Chief Revenue Officer
Kevin Williams	53	Chief Marketing Officer
Tandalea Mercer	36	Executive Vice President – Compliance
Daniel Marovitz	41	Director (1)
Stephen Pemberton	46	Director (1)
Barry Feierstein	53	Director (1)
Andrea Sáenz	41	Director

(1) Member of our audit, compensation and nominating and corporate governance committees.

James Kirsch has served as our Chief Executive Officer, as a member of our management board since 2008 and as the Chairman of the Board since the consummation of our initial public offering. Mr. Kirsch served as Chief Strategic Officer at AMightyRiver.com, a division of PDN from 2004 to 2008 and from 1996 to 2001 as Chief Executive Officer of eSpecialty Brands a online retail company. Previously, Mr. Kirsch served as Chief Executive Officer at iMaternity.com, the ecommerce partner of iVillage.com from 1983 to 1996 and Manager, Vice President and Chief Operating Officer at Dan Howard Industries, a vertically integrated retailer of apparel. He holds a B.S. in Economics and Political Science from University of Arizona. We believe Mr. Kirsch is a valuable asset to the board of directors because of his experience and vision in leading the company since 2008.

Rudy Martinez is one of our founders, Executive Vice President and a member of our management board, and has lead our iHispano.com division since 2000. Prior to joining the company, Mr. Martinez served from 1995 to 1998 as Division President for Trilogy Consulting, a firm which specialized in Pharmaceutical and Healthcare consulting. Mr. Martinez graduated from Indiana University, Bloomington with a B.A. in Forensics and completed the Dartmouth Tuck School of Business – Building High Performance Business Program.

David Mecklenburger has been our Chief Financial Officer and Secretary since July 2013. Prior to joining the company, Mr. Mecklenburger served as Vice President of Business Integration for General Cable Corporation, a publicly traded global provider of wire and cable products, from 2009 to 2012. From 1989 to 2009, Mr. Mecklenburger served as Chief Financial Officer and Chief Operating Officer of Gepco International, Inc. and Isotec, Inc., manufacturers and distributors of high end electronic cables which were acquired by General Cable Corp in 2009. Mr. Mecklenburger has a bachelor's degree in Accountancy from the University of Illinois at Urbana-Champaign and a master's degree in Business Administration from Northwestern University. Mr. Mecklenburger is a Certified Public Accountant.

Chad Hoersten serves as Chief Technology Officer of PDN, a position he has held since 2008. He was the lead web developer of iHispano.com, a division of PDN, from 2004 to 2008. Mr. Hoersten served as a senior software engineer at Rockwell Automation from 1999 to 2002. Mr. Hoersten holds a B.S. in computer engineering from the University of Cincinnati.

Daniel Sullivan has served as Chief Revenue Officer at Professional Diversity Network since October, 2011. Prior to joining PDN, Mr. Sullivan worked in a number of sales related roles at Monster Worldwide from January of 2000 to September of 2011. Mr. Sullivan worked as a Sales Manager with Akzo Nobel from January 1998 to January 2000. Mr. Sullivan graduated from the University of Massachusetts, Boston with a B.S. in Political Science.

Kevin Williams became our Chief Marketing Officer in December 2013. Previously Mr. Williams was the Executive Vice President and Managing Director of Matlock Advertising and Public Relations in Atlanta, Georgia from 2010 to 2011. He had also been the Senior Vice President of Client Services at Globalhue, a multicultural advertising agency from 2005 to 2009. Kevin holds a B.A. in Marketing from the University of Illinois Urbana-Champaign.

Tandalea Mercer is our Executive Vice President of Compliance, and has held this position since September 2011. Ms. Mercer is currently also Senior Manager of Diversity and Inclusion at HCL Technologies, Inc., an information and technology services company, and has held that position since October 2011. We intend to employ Ms. Mercer on a full-time basis prior to the commencement of the offering. From January 2010 to January 2011, Ms. Mercer was a diversity specialist consultant for the New York City Department of Education. Prior to that, Ms. Mercer was Senior Manager of Affirmative Action/Diversity Metrics at Verizon, a global telecommunications company. Ms. Mercer has also been an Equal Employment Opportunity Specialist at the county government of Fairfax, Virginia from 2005 to 2006 and Equal Employment Opportunity Compliance Officer at the Office of Federal Contract Compliance Programs of the U.S. Department of Labor from 2003 to 2005. Ms. Mercer earned a B.A. in Political Science and English from Delaware State University, and an M.S./M.P.A. Dual Degree in Urban Policy Analysis and Management from The New School University.

Daniel Marovitz has been a director, chairman of our audit committee and a member of our compensation and nominating and corporate governance committees since the consummation of our initial public offering. He is the founder of Buzzumi, a software platform that helps consulting and advice-based businesses operate online. From 2007 to 2011, he served as Head of Product Management and member of the board of Deutsche Bank's Global Transaction Bank. Previously, Daniel served as Chief Information Officer for Investment Banking of Deutsche Bank and the Chief Operating Officer of technology from 2002 to 2007. Mr. Marovitz joined Deutsche Bank in 2000 as Managing Director and Chief Operating Officer of the eGCI group at Deutsche Bank. Previously, he was Vice President of Commerce at iVillage, an online women's network from 1998 to 2000. Mr. Marovitz also worked for Gateway 2000 where he served as the head of Gateway.com from 1996 to 1998 and was the co-founder of Gateway's Japanese subsidiary in Tokyo from 1994 to 1996. Mr. Marovitz earned a B.A. in Romance Studies and Asian Studies and graduated cum laude from Cornell University in 1994. Mr. Marovitz is an experienced operational and theoretical thought leader regarding Internet companies. We believe that as a member on our board of directors, he brings valuable advice relating to Internet activities, user experience and online marketing to the company.

Stephen Pemberton has been a director, chairman of our nominating and corporate governance committee and a member of our audit and compensation committees since the consummation of our initial public offering. In 2011, he joined Walgreen Co., a retail pharmacy company, as Divisional Vice-President and Chief Diversity Officer. From 2005 to 2010, Mr. Pemberton was Chief Diversity Officer and Vice-President of Diversity and Inclusion at Monster Worldwide.com. Mr. Pemberton received a B.A. in Political Science from Boston College in 1989. We believe Mr. Pemberton is a respected authority on diversity and inclusion matters in the workplace. We believe that as a member on our board of directors, he adds value by providing the board of directors with insight and experience he has gained from his service as a Chief Diversity Officer at two public companies.

Barry Feierstein has been a director, chairman of our compensation committee and a member of our audit and nominating and corporate governance committees since the consummation of our initial public offering. He has been employed at the University of Phoenix, an online institution of higher learning and a wholly owned subsidiary of the Apollo Group since 2010, and appointed Chief Business Operating Officer in 2011. Prior to that, he served as Executive Vice President of Sales & Marketing for Sallie Mae, a student loan service company, from December 2007 to November 2009, and Senior Vice President of Private Credit Lending at Sallie Mae from January 2007 to December 2007. Mr. Feierstein graduated with a B.A. in Economics and History from Tufts University and earned an M.B.A. from Harvard Business School. Mr. Feierstein has expertise in online marketing, with a specific concentration in online education and marketing. We believe his ability to analyze complex Internet marketing strategies, and experience in connecting education to careers is an asset to the board of directors.

Andrea Sáenz has been a director since the consummation of our initial public offering. Since May 2011, she has served as Chief of Staff for the Chicago Public Schools. From August 2010 to May 2011, Ms. Sáenz was Board Resident at the U.S. Department of Education. From July 2006 to August 2010, Ms. Sáenz was executive director for the Hispanic Alliance for Career Enhancement, a nonprofit organization dedicated to the advancement of Latino professionals. Prior to holding that position, she was a fellow at the University of Pennsylvania Fels Institute of Government. Ms. Sáenz began her career at Congreso de Latinos Unidos, an organization focusing on Latino-American communities. She holds a B.A. in Latin American studies from Scripps College and a Master's Degree in government administration from the University of Pennsylvania. We believe Ms. Sáenz is an accomplished leader in the field of professional and educational advancement with expertise in educational and career access for minorities, with particular experience in the Not-For-Profit and government sectors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires that our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater-than-ten percent stockholders are required by SEC regulations to furnish us with all Section 16(a) forms they file. Based solely on our review of the copies of the forms received by us and written representations from certain reporting persons that they have complied with the relevant filing requirements, we believe that, during the year ended December 31, 2013, all of our executive officers, directors and greater-than-ten percent stockholders complied with all Section 16(a) filing requirements.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The code of business conduct and ethics is available on our corporate website at www.prodivnet.com. Any amendment to, or waiver from, a provision of such code of ethics will be posted on our website.

Audit Committee

Our audit committee is comprised of Mr. Marovitz, Chairman of the audit committee, Mr. Pemberton and Mr. Feierstein. We believe that the composition of our audit committee meets the independence requirements of the applicable rules of the SEC and NASDAQ. Our board of directors has determined that Mr. Marovitz is an audit committee financial expert, as defined by the rules of the SEC.

ITEM 11 — EXECUTIVE COMPENSATION

Overview

In this section, we describe our compensation programs and policies and the material elements of compensation for the year ended December 31, 2013 for our Chairman and Chief Executive Officer, and our most highly compensated executive officers, other than our Chief Executive Officer, whose total compensation was in excess of $100,000. Other than as disclosed below, we did not have any other employee whose compensation was such that executive compensation disclosure would be required but for the fact that they were not executive officers as of the end of the last fiscal year. We refer to all individuals whose executive compensation is disclosed in this Annual Report as our "named executive officers."

Our compensation committee is responsible for reviewing and evaluating the components of our compensation programs, including employee base salaries and benefit plans. The compensation committee will provide advice and recommendations to the board of directors on such matters. See "*Committees of the Board of Directors — Compensation Committee*" for further details on the role of the compensation committee.

Summary Compensation Table

The following table provides information regarding the compensation earned during the years ended December 31, 2013 and December 31, 2012 by our Chairman and Chief Executive Officer, and our most highly compensated executive officers, other than our Chief Executive Officer, whose total compensation was in excess of $100,000. We refer to these persons as our "named executive officers" elsewhere in this Annual Report.

Name and Principal Position	Year	Salary ($)	All Other Compensation ($) (1)	Total ($)
James Kirsch,	2013	$ 200,000	$ 17,383 (2)(3)	$ 217,383
Chairman and Chief Executive Officer	2012	200,000	372,993 (2)(3)	572,993
Rudy Martinez,	2013	200,000	22,664	222,664
Executive Vice President and CEO of iHispano.com division	2012	200,000	17,511	217,511
Daniel Sullivan	2013	150,000	25,868	175,868
Chief Revenue Officer	2012	150,000	1,500	151,500
David Mecklenburger Chief Financial Officer	2013	81,750	-	81,750

(1) Other compensation consists of: (i) car allowance in the amount of $9,472 and $10,152 respectively, in 2013 and 2012 for Mr. Kirsch, and in the amount of $9,589 and $11,508 respectively in 2013 and 2012 for Mr. Martinez and (ii) an annual Health Savings Account contribution of $6,000 in each of 2013 and 2012 for Mr. Martinez. In 2013 and 2012, Mr. Sullivan received Health Savings Account contributions of $1,500. Additionally, Mr. Martinez received $7,075 of commissions and bonus in 2013 and Mr. Sullivan received $24,368 of commissions and bonus in 2013.

(2) In 2010, Mr. Kirsch purchased a condominium apartment in Miami, Florida, which was primarily used by the Company and was financed by obtaining a bank loan providing initially for interest only payments. Following the closing, the Company made payments of interest on the mortgage, condominium association dues, real estate taxes, maintenance and upkeep, purchased furniture and other related expenses on the apartment (collectively, "Condominium Costs") in the amount of $7,411 in 2013 and $46,927 in 2012. The Company recorded these payments as additional compensation payments to Mr. Kirsch for 2013 and 2012. In 2013 and 2012, the Company paid $0 and $263,109 in additional compensation as a reimbursement for the additional taxes owed by Mr. Kirsch with respect to guaranteed payments related to the Miami condominium. The Company has discontinued payments relating to the condominium costs prior to the closing of the offering.

(3) For the year ended December 31, 2012, Mr. Kirsch received $52,800 in additional compensation payments, which represent 30% of the $176,000 in principal payments on our notes payable to one of the founding members of the company, as part of his compensation.

Employment Agreements

We entered into employment agreements with Messrs. James Kirsch and Rudy Martinez prior to the commencement of our initial public offering. Mr. Kirsch serves as our Chief Executive Officer and Mr. Martinez serves as our Executive Vice President and CEO of our iHispano.com division, at annual base salaries of $200,000 and $200,000, respectively. Mr. Kirsch's and Mr. Martinez's employment agreements were for one year, with employment on an at-will basis thereafter. The agreements also provide for a discretionary annual bonus and benefits provided to other employees. If we terminate either named executive officer without cause (as defined in the employment agreement) but not due to death or disability, the company will pay as severance continued salary for six (6) months to the terminated executive upon delivery of a release of claims against the company. No severance payment will be paid if termination is for cause or if the executive resigns. During each named executive officer's employment and for two (2) years thereafter, each named executive officer will agree not to disclose confidential information and will be subject to restrictions on competing or interfering with our business and business relationships and soliciting the services of our employees or independent contractors. Both agreements expired March 5, 2014, however the company is honoring the terms of the previous agreements until there are new agreements in place.

Outstanding Equity Awards at December 31, 2013

We did not have any outstanding equity awards to our named executive officers as at December 31, 2013.

Director Compensation

James Kirsch is the chairman of our board of directors. As one of our executive officers, Mr. Kirsch will not be compensated for his services as a director. The following table details the total compensation earned by the Company's non-employee directors in 2013:

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Daniel Marovitz	9,500	-	-	9,500
Stephen Pemberton	7,000	-	-	7,000
Barry Feierstein (1)	8,500	-	-	8,500
Andrea Sáenz	5,500	-	-	5,500
Total	30,500	-	-	30,500

The general policy of our Board is that compensation for non-employee directors should be a mix of cash and equity based compensation. We do not pay management directors for Board service in addition to their regular employee compensation. Our directors are also reimbursed for travel expenses associated with attendance at Board meetings. There were no reimbursements for travel expenses for the fiscal year ended December 31, 2013.

(1) Mr. Feierstein earned this compensation in 2013, but elected not to receive payment in 2013. The Company has accrued a liability for the full amount of his 2013 compensation.

ITEM 12 — SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Management and Certain Beneficial Owners

The following table sets forth information regarding the beneficial ownership of our common stock as of March 24, 2014:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors and prospective directors; and
- all of our directors and executive officers as a group.

The percentage ownership information shown in the table is based upon a total of 6,316,027 shares of common stock outstanding.

Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of more than 5% of our common stock. We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options that are either immediately exercisable or exercisable on or before that date that is 60 days after the date of this Annual Report. These shares are deemed to be outstanding and beneficially owned by the person holding those options for the purpose of computing the percentage ownership of that person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Unless otherwise noted below, the address for each person or entity listed in the table is c/o Professional Diversity Network, 801 W. Adams Street, Suite 600, Chicago, Illinois 60667.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Outstanding
5% Stockholders		
Daniel Ladurini (1)	2,290,541	36.6%
Ronald Chez	466,765	7.4%
Executive Officers and Directors		
James Kirsch (2)(3)	1,057,826	16.7%
Rudy Martinez	344,385	5.5%
David Mecklenburger	-	-
Chad Hoersten	-	-
Daniel Sullivan	-	-
Kevin Williams	-	-
Tandalea Mercer	-	-
Daniel Marovitz	-	-
Stephen Pemberton	-	-
Barry Feierstein	-	-
Andrea Sáenz	-	-
Named directors and officers as a group (11 persons)	1,402,211	22.2%

(1) Includes 28,851 shares that were issued pursuant to the Note Conversion (as defined in "— *Equity Issuances to Directors, Executive Officers and 5% Stockholders*" below, and 2,071,781 shares held by Ladurini Family Trust, for which Mr. Ladurini is Trustee. Daniel Ladurini holds voting and dispositive power over the shares held by Ladurini Family Trust. The Ladurini Family Trust has entered into option agreements (the "Ladurini Options") with certain of our directors and officers pursuant to which such directors and officers may purchase, during a ten year exercise period, from Ladurini Family Trust up to 10% shares of our common stock, at a price per share equal to the offering price.

(2) Includes 7,547 shares issued pursuant to the Note Conversion.

(3) Does not include 369,322 shares issuable pursuant to the Ladurini Options because such options have not been exercised as of December 31, 2013.

Securities Authorized for Issuance under Equity Compensation Plans

Prior to the consummation of our initial public offering, we adopted the 2013 Equity Compensation Plan under which we reserved 500,000 shares of our common stock for the purpose of providing equity incentives to our employees, officers, directors and consultants including options, restricted stock, restricted stock units, stock appreciation rights, other equity awards, annual incentive awards and dividend equivalents. The plan provides for a maximum of 500,000 shares that could be acquired upon the exercise of a stock option or the vesting of restricted stock. The plan was approved by our stockholders prior to the consummation of our initial public offering. As of December 31, 2013, there were no securities granted under the plan.

ITEM 13 — CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Party Transactions

The following is a summary of transactions for the past two fiscal years to which we have been a party in which the amount involved exceeded the lesser of $120,000 or 1% of the average of our total assets at December 31, 2012 and December 31, 2013, and in which any of our directors, executive officers or beneficial holders of more than 5% of our capital stock had or will have a direct or indirect material interest, other than compensation arrangements that are described under the section of this Annual Report entitled " *Executive Compensation* ."

Equity Issuances to Directors, Executive Officers and 5% Stockholders

We did not issue any common stock during the past two fiscal years to our directors, executive officers or holders of more than 5% of our capital stock, except in connection with the reorganization of the Company from a limited liability company into a corporation.

Prior to the consummation of our initial public offering, the company effected a reorganization pursuant to which each holder of an outstanding membership interest in the predecessor limited liability company contributed to the company all of the right, title and interest in and to such holder's entire ownership interest in the company in exchange for a proportionate number of shares of common stock of the company immediately after conversion into a Delaware corporation.

Upon consummation of our initial public offering, Ferdinando Ladurini, Daniel Ladurini and James R. Kirsch entered into a debt exchange agreement with us whereby our three outstanding promissory notes in the principal amounts of $1,341,676, $142,000 and $37,143 plus accrued interest owed to them, respectively, were exchanged for shares of common stock at a price per share equal to the offering price (the "Note Conversion").

Prior to the consummation of our initial public offering, Ladurini Family Trust entered into option agreements (the "Ladurini Options") with certain of our directors and officers pursuant to which such directors and officers may purchase, during a ten year exercise period, from Ladurini Family Trust up to 10% shares of our common stock, at a price per share equal to the offering price. As of December 31, 2013, none of those options have been exercised.

Agreements with Directors and Executive Officers

Pursuant to the Investment Agreement, Mr. Kirsch received additional compensation payments equal to 30% of the principal payments made by the Company under the promissory notes payable to Ferdinando Ladurini in the principal amount of $1,341,676. Additional compensation payments are recorded to expense in the statements of comprehensive income and are reported as income to the member of the limited liability company operating agreement, in this case, Mr. Kirsch. Prior to commencement of our initial public offering, we obtained a binding agreement from our noteholders to convert their outstanding debt into equity in connection with our reorganization and initial public offering. As part of the reorganization, such debt was converted into equity and no further payments to Mr. Kirsch will be made pursuant to the agreement.

In 2010, Mr. Kirsch purchased a condominium apartment in Miami, Florida, which was primarily used by the company and was financed by obtaining a bank loan providing initially for interest only payments. The Company paid for the down payment and earnest money on the apartment in the amount of $221,679. In 2012, the Company paid Mr. Kirsch $263,109 in additional compensation payment to compensate Mr. Kirsch for additional income taxes resulting from the amounts paid in 2010 for the condominium apartment in Miami, Florida. The Company discontinued paying the condominium costs prior to closing of the Company's initial public offering. Please see "*Executive Compensation*" for information regarding the employment agreements with, and compensation of, our executive officers.

Please see "*Executive Compensation*" for information regarding the employment agreements with, and compensation of, our executive officers.

Agreements with 5% Stockholders

Other than as disclosed in the section above entitled "*Equity Issuances to Directors, Executive Officers and 5% Stockholders*" and *"Agreements with Directors and Executive Officers"* there are no agreements between or among the company and any holder of more than 5% of our capital stock.

Director Independence

Our board of directors has reviewed the materiality of any relationship that each of our directors has with us, either directly or indirectly. Based on this review, our board has determined that Messrs. Marovitz, Pemberton and Feierstein and Ms. Sáenz will be "independent directors" as defined by Rule 5605(a)(2) of the Marketplace Rules of NASDAQ. We do not have any oral or written agreement with any company including, Monster Worldwide and Apollo Group, for representatives from any company to serve on our board of directors.

ITEM 14 — PRINCIPAL ACCOUNTANT FEES AND SERVICES

FEES PAID TO INDEPENDENT AUDITORS

The audit committee retained Marcum, LLP as independent registered public accountants to audit the Company's consolidated financial statements for the fiscal years ended December 31, 2013 and 2012.

The following table summarizes fees for professional services rendered to the Company by Marcum, LLP for the fiscal years ended December 31, 2013 and 2012, respectively.

Fees:	**2013**	**2012**
Audit Fees	$ 115,000	$ 97,000
Audit-Related Fees	144,450	61,500
Tax Fees	---	---
Total	$ 259,450	$ 158,500

Audit Fees. For the fiscal years ended December 31, 2013 and 2012, the "Audit Fees" reported above were billed by Marcum, LLP for professional services rendered for the audit of the company's annual financial statements, reviews of the company's quarterly financial statements, and for services normally provided by the independent auditors in connection with statutory and regulatory filings and engagements.

Audit-Related Fees. Audit related fees for the fiscal year ended December 31, 2013 and 2012 relate to the review and consent of Marcum, LLP for our Registration Statements on Form S-1.

Tax Fees. The company did not pay any tax related fees to Marcum, LLP in 2013 or 2012.

Pre-Approval Policy and Independence

The audit committee has a policy requiring the pre-approval of all audit and permissible non-audit services provided by the company's independent auditors. Under the policy, the audit committee is to specifically pre-approve any recurring audit and audit-related services to be provided during the following fiscal year. The audit committee also may generally pre-approve, up to a specified maximum amount, any nonrecurring audit and audit-related services for the following fiscal year. All pre-approved matters must be detailed as to the particular service or category of services to be provided, whether recurring or non-recurring, and reported to the audit committee at its next scheduled meeting. Permissible non-audit services are to be pre-approved on a case-by-case basis. The audit committee may delegate its pre-approval authority to any of its members, provided that such member reports all pre-approval decisions to the audit committee at its next scheduled meeting. The company's independent auditors and members of management are required to report periodically to the audit committee the extent of all services provided in accordance with the pre-approval policy, including the amount of fees attributable to such services.

In accordance with Section 10A of the Securities Exchange Act of 1934, as amended by Section 202 of the Sarbanes-Oxley Act of 2002, the company is required to disclose the approval by the audit committee of the board of non-audit services performed by the company's independent auditors. Non-audit services are services other than those provided in connection with an audit review of the financial statements. During the period covered by this filing, all audit-related fees, tax fees and all other fees, and the services rendered in connection with those fees, as reported in the table shown above, were approved by the company's audit committee.

The audit committee considered the fact that Marcum, LLP has not provided non-audit services to us, which the committee determined was compatible with maintaining auditor independence.

PART IV

ITEM 15— EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

1. Financial Statements

   See Index to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

2. Financial Statement Schedules are omitted because they are not applicable or because the required information is given in the consolidated financial statements and notes thereto.

3. Exhibits

   See the Exhibit Index included as the last part of this report (following the signature page), which is incorporated herein by reference.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Professional Diversity Network, Inc.

We have audited the accompanying balance sheets of Professional Diversity Network, Inc., (the "Company") as of December 31, 2013 and 2012, and the related statements of comprehensive (loss) income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Professional Diversity Network, Inc., as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Company completed an initial public offering ("IPO") of its common stock on March 8, 2013. The Company concurrently converted its legal form of ownership into that of a c corporation from a limited liability company upon the completion of its IPO. The accompanying financial statements give retroactive effect to the recapitalization of the Company for all periods presented.

Marcum, LLP

New York, NY

March 27, 2014

Professional Diversity Network, Inc.
BALANCE SHEETS

	December 31, 2013	December 31, 2012
Current Assets:		
Cash and cash equivalents	$ 18,736,495	$ 868,294
Accounts receivable	1,218,112	1,923,048
Marketable securities, at fair value	-	251,349
Prepaid expense	99,094	63,982
Total current assets	20,053,701	3,106,673
Property and equipment, net	54,781	34,863
Security deposits	12,644	23,711
Deferred costs - initial public offering	-	832,240
Capitalized technology, net	692,511	402,890
Goodwill	735,328	635,671
Trade name	90,400	90,400
Deferred tax asset	380,832	-
Total assets	$ 22,020,197	$ 5,126,448
Current Liabilities:		
Accounts payable	$ 222,961	$ 265,013
Accrued expenses	188,462	85,327
Deferred revenue	1,024,420	500,000
Warrant liability	85,221	-
Total current liabilities	1,521,064	850,340
Notes payable - members, net of original issue discount of $0 and $138,256 as of December 31, 2013 and 2012, respectively	-	1,487,900
Total liabilities	1,521,064	2,338,240
Commitments and contingencies		
Stockholder's Equity		
Common stock, $0.01 par value, 25,000,000 shares authorized, 6,318,227 and 3,487,847 shares issued and 6,316,027 and 3,487,847 outstanding as of December 31, 2013 and 2012, respectively	63,182	34,878
Additional paid in capital	21,883,593	2,751,827
Accumulated deficit	(1,436,387)	-
Treasury stock, at cost; 2,200 and 0 shares at December 31, 2013 and 2012, respectively	(11,255)	
Accumulated other comprehensive income	-	1,503
Total stockholders' equity	20,499,133	2,788,208
Total liabilities and stockholders' equity	$ 22,020,197	$ 5,126,448

The accompanying notes are an integral part of these financial statements.

Professional Diversity Network, Inc.
STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Years Ended December 31, 2013	2012
Revenues		
Recruitment services	$ 2,468,382	$ 4,000,000
Consumer advertising and consumer marketing solutions revenue	1,566,262	2,154,111
Total revenues	4,034,644	6,154,111
Costs and expenses:		
Cost of services	1,152,544	805,447
Sales and marketing	2,346,847	1,482,556
General and administrative	2,268,118	1,222,158
Depreciation and amortization	281,648	112,943
Gain on sale of property and equipment	(4,158)	-
Total costs and expenses	6,044,999	3,623,104
(Loss) income from operations	(2,010,355)	2,531,007
Other income (expense)		
Interest expense	(155,136)	(172,411)
Interest and other income	25,765	13,095
Loss on sale of marketable securities	(7,640)	-
Other expense, net	(137,011)	(159,316)
Change in fair value of warrant liability	330,147	-
(Loss) income before income taxes	(1,817,219)	2,371,691
Income tax benefit	(380,832)	-
Net (loss) income	$ (1,436,387)	$ 2,371,691
Other comprehensive (loss) income:		
Net (loss) income	$ (1,436,387)	$ 2,371,691
Unrealized (losses) gains on marketable securities	-	29,699
Reclassification adjustments for losses on marketable securities included in net income	7,640	2,449
Comprehensive (loss) income	$ (1,428,747)	$ 2,403,839
Net (loss) income per common share, basic and diluted	$ (0.23)	$ 0.65
Shares used in computing pro forma net (loss) income per common share:		
Basic and diluted	6,318,085	3,693,227
Pro-forma computation related to conversion to a C corporation upon completion of initial public offering:		
Historical pre-tax net (loss) income before taxes	$ (1,817,219)	$ 2,371,691
Pro-forma tax (benefit) provision	(740,939)	979,708
Pro-forma net (loss) income	$ (1,076,280)	$ 1,391,983
Pro-forma (loss) earnings per share - basic and diluted		
Unaudited pro-forma (loss) earnings per share	$ (0.17)	$ 0.38
Weighted average number of shares outstanding	6,318,085	3,693,227

The accompanying notes are an integral part of these financial statements.

Professional Diversity Network, Inc.
STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance at December 31, 2011	3,487,847	$ 34,878	$ 3,280,136	$ -	-	$ -	$ (30,645)	$ 3,284,369
Reclassification adjustments for gains on marketable securities included in net income	-	-	-	-	-	-	2,449	2,449
Unrealized holding gain on marketable securities	-	-	-	-	-	-	29,699	29,699
Distributions to members	-	-	(2,900,000)	-	-	-	-	(2,900,000)
Net income	-	-	2,371,691	-	-	-	-	2,371,691
Balance at December 31, 2012	3,487,847	34,878	2,751,827	-	-	-	1,503	2,788,208
Conversion of debt to equity	205,380	2,054	1,640,982	-	-	-	-	1,643,036
Net proceeds from initial public offering	2,625,000	26,250	17,690,784	-	-	-	-	17,717,034
Reclassification adjustments for losses on marketable securities included in net loss	-	-	-	-	-	-	7,640	7,640
Unrealized holding loss on marketable securities	-	-	-	-	-	-	(9,143)	(9,143)
Repurchase of common stock	-	-	-	-	2,200	(11,255)	-	(11,255)
Distribution to members	-	-	(200,000)	-	-	-	-	(200,000)
Net loss	-	-	-	(1,436,387)	-	-	-	(1,436,387)
Balance at December 31, 2013	**6,318,227**	**$ 63,182**	**$21,883,593**	**$ (1,436,387)**	**2,200**	**$(11,255)**	**$ -**	**$ 20,499,133**

The accompanying notes are an integral part of these financial statements.

Professional Diversity Network, Inc.
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2013	2012
Cash flows from operating activities:		
Net (loss) income	$ (1,436,387)	$ 2,371,691
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	281,648	112,943
Deferred tax benefit	(380,832)	-
Change in fair value of warrant liability	(330,147)	-
Loss on sale of investments, net	7,640	5,530
Amortization of discount/premium on investments	-	(370)
Provision for bad debts	-	49,462
Gain on sale of property and equipment	(4,158)	-
Interest added to notes payable	16,881	102,026
Accretion of interest on notes payable	138,255	70,385
Changes in operating assets and liabilities:		
Accounts receivable	756,122	(18,041)
Accounts payable	(46,294)	157,403
Accrued expenses	85,812	(169,346)
Prepaid expenses	(28,445)	(63,982)
Deferred income	524,420	-
Net cash (used in) provided by operating activities	(415,485)	2,617,701
Cash flows from investing activities:		
Proceeds from sale of marketable securities	242,206	150,796
Cash paid to purchase technology	(200,000)	-
Cash paid for acquisition, net of cash acquired	(135,945)	-
Costs incurred to develop technology	(354,808)	(358,247)
Sale of property and equipment	6,203	-
Purchases of property and equipment	(38,424)	(20,513)
Security deposits	11,067	(2,144)
Net cash used in investing activities	(469,701)	(230,108)
Cash flows from financing activities:		
Distributions to members	(200,000)	(2,900,000)
Proceeds from IPO, net of offering costs	19,474,565	-
Repayments of notes payable	-	(176,000)
Deferred IPO costs	(509,923)	(697,730)
Repurchase of common stock	(11,255)	-
Net cash provided by (used in) financing activities	18,753,387	(3,773,730)
Net increase (decrease) in cash and cash equivalents	17,868,201	(1,386,137)
Cash and cash equivalents, beginning of year	868,294	2,254,431
Cash and cash equivalents, end of year	$ 18,736,495	$ 868,294
Supplemental disclosures of other cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -
Non-cash disclosures:		
IPO costs in accounts payable	$ -	$ 107,610
Deferred revenue in accounts receivable	$ -	$ 500,000
Conversion of notes payable to equity	$ 1,643,036	$ -
Reduction of additional paid-in capital for deferred IPO costs	$ 1,342,163	$ -
Fair value of warrant liabilities	$ 415,368	$ -

The accompanying notes are an integral part of these financial statements.

1. Description of Business

Professional Diversity Network, Inc. (the "Company," "Professional Diversity Network," "we," "our" and "us") is a corporation organized under the laws of Delaware, originally formed as IH Acquisition, LLC under the laws of the State of Illinois on October 3, 2003. The Company commenced business following its acquisition of the assets, trade name, uniform resource locator (URL) and certain developed technology of iHispano.com, Inc. Aggregate consideration in this transaction amounted to $887,000, including the assumption of a note payable to one of the Company's founding members that had an acquisition date fair value of $692,614 (Note 8). The Company recorded an aggregate of $635,671 of goodwill with respect to this transaction (Note 3). In 2004, the Company changed its name to iHispano.com, LLC and in 2012 the Company changed its name to Professional Diversity Network, LLC and on March 8, 2013 completed a recapitalization as part of an Initial Public Offering.

The Company operates online professional networking communities with career resources specifically tailored to the needs of different diverse cultural groups including: Women, Hispanic-Americans, African-Americans, Asian-Americans, Disabled, Military Professionals, Lesbians, Gay, Bisexual and Transgender (LGBT), and Students and Graduates seeking to transition from education to career. The networks' purposes, among others, are to assist its members in their efforts to connect with like-minded individuals, identify career opportunities within the network and connect members with prospective employers. The Company's technology platform is integral to the operation of its business.

2. Liquidity, Financial Condition and Management's Plans

The Company funds its operations principally from cash on hand and accounts receivable collected.

The Company completed an initial public offering ("IPO") of its equity securities (Note 12) on March 8, 2013 and received $19,474,565 in proceeds, net of offering costs. The Company incurred approximately $1.3 million of IPO expenses through December 31, 2013 in its efforts to complete the IPO. Expenses incurred in connection with the IPO were accounted for as a reduction of the offering proceeds.

We had been dependent on Monster Worldwide, Inc. ("Monster Worldwide" or "Monster") for all of our recruitment revenue pursuant to an alliance agreement that expired on December 31, 2012. As more fully described in Note 13 below, we entered into a diversity recruitment partnership agreement with LinkedIn Corporation ("LinkedIn") on November 12, 2012, which became effective on January 1, 2013 and terminated on March 29, 2014. Pursuant to the agreement, LinkedIn may resell to its customers diversity-based job postings and recruitment and advertising on our websites. LinkedIn notified the Company of its decision to terminate its agreement with the Company effective March 29, 2014, and as a result, LinkedIn will no longer be a reseller of the Company's diversity recruitment products and services. As part of the termination notice, LinkedIn waived their right under the termination conditions of the contract preventing the Company from soliciting the 1,000 accounts on the LinkedIn protected list for a period of one year.

The non-renewal of our agreement with Monster Worldwide had a material impact on revenue and operating cash flow during the year ended December 31, 2013. With respect to job postings that Monster sold prior to the expiration of our agreement on December 31, 2012, we mutually agreed with Monster to maintain such postings on our websites until June 30, 2013. In addition, we agreed to continue to provide Monster with access to certain data until December 31, 2013. We have incurred and expect to continue to incur only de minimis additional labor and costs, and will not receive any additional payments from Monster Worldwide subsequent to the expiration of our agreement. Additionally, as of January 1, 2013, we have begun to sell our products and services directly to employers, except for those identified as restricted by LinkedIn.

The termination of our agreement with LinkedIn on March 29, 2014 will have a material impact on revenue and operating cash flow during the year ended December 31, 2014. In response to this and to help mitigate the impact of the loss of revenue, the Company is adjusting its business plan and focusing on its key areas of strength, including, but not limited to:

- Our ability to sell directly and earn 100% of each sale;
- Eliminate key account restrictions imposed on us during the effective time of the LinkedIn agreement;
- Benefit from new enhanced OFCCP regulations enhancing demand for our products and services;
- Benefit from the strength of our business foundation and management team; and
- Pursue potential acquisition opportunities in the recruitment industry.

As of December 31, 2013, we have incurred various expenses associated with the evolution of our business. These costs include public company compliance expenses, sales and marketing expenses to access recruiting customers directly and investments in our recruiting platform to better serve our diverse job seekers.

3. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements for the years ended December 31, 2013 and 2012 have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas that required management to make estimates and assumption that affect the amounts and disclosures in the financial statements include revenue recognition, valuation of goodwill, trade name and URL, costs capitalized to develop technology and the Company's estimated useful lives of assets. Actual results could differ from those estimates.

Revenue Recognition - The Company applies the revenue recognition principles set forth in Securities and Exchange Commission Staff Accounting Bulletin ("SAB") 104 "Revenue Recognition" with respect to all of its revenue. Accordingly, the Company records revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery of its services has occurred, (iii) fees for services are fixed or determinable, and (iv) collectability of the sale is reasonable assured.

The Company's principal sources of revenue include certain minimum fixed fees that it earns from two distinct customers (Note 11). One contract is an annual agreement that is billed pro rata on a monthly basis. The Company uses proprietary technology to monitor the volume of members that actually apply for employment using these resources. The second contract is billed based upon fixed fees with certain minimum monthly website visits. The Company also earns advertising revenues from providing media space on its website directly to advertisers and consumer marketers. Consumer advertising clients (or their designated agents) contact us to purchase media (advertisements for their advertising campaign, goods or services) to be placed on one of our websites. The Company invoices the advertising client or its agent monthly for the media placed. Consumer advertising that the Company sells may be placed on one of its websites and on the website of professional organizations that it is strategic partners with. Advertisers pay the Company directly for the ads that it sells, as the Company is the primary obligor in the transaction. The Company's strategic partners invoice the Company monthly for their share of the revenue for the advertisements that run on its partner websites and the Company records these amounts as an expense to its revenue sharing account within Cost of Services in its statements of comprehensive income. Consumer advertising may be sold by the professional organizations that the Company has strategic partnerships with, and placed on one of its websites. In this case, the Company would invoice such strategic partner directly for the advertising space and on a case by case basis, rather than a monthly basis. Advertising revenue is recognized after the advertisements have run and results have been approved by an outside service. Advertising revenue is recognized either based upon a fixed fee for revenue sharing agreements in which payment is required at the time of posting, or billed based upon the number of impressions recorded on the websites as specified in the customer agreement.

Events revenue is recognized in the period in which the event occurs. Sales for each event are made prior to the event date. Revenue for that event is deferred until the event takes place upon which revenue is recognized for that event.

The Company has also developed an internal sales and marketing force that sells products and services directly to employers that are not serviced by its fixed fee customers. Career and job opportunity boards are made accessible to registered members of the Company's online community. The Company uses proprietary technology to monitor the volume of the members that actually apply for employment using these resources. Revenue from sales of its hiring solutions are recognized by the Company over the term of the agreement, which is typically twelve months. The primary product offered to these employers is for a negotiated number of spots to post their recruitment ads, known as job slots. These job slots can be purchased as a stand-alone product or combined with other services the company offers, meant to enhance the performance of the recruitment ad. Examples of products that may be included in a bundle are: email blasts, ad network media, newsletters, diversity talent recruitment groups, and a product to assist the customer with their efforts to comply with Federal requirements of companies that are contractors or subcontractors of the Federal government. Since the additional services or products offered by the Company are bundled with, and run contemporaneously with, the job slots, the Company does not separate such services and/or products for revenue recognition purposes.

Advertising and Marketing Expenses - Advertising and marketing expenses are expensed as incurred. During the years ended December 31, 2013 and 2012 the Company incurred advertising and marketing expenses of approximately $813,000 and $780,000, respectively.

Cash and Cash Equivalents - The Company considers cash and cash equivalents to include all short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Accounts Receivable - Accounts receivable represent receivables generated from fees earned from customers and advertising revenue. The Company's policy is to reserve for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company has had a low occurrence of credit losses and therefore deemed it unnecessary to establish an allowance for doubtful accounts as of December 31, 2013 and 2012.

Marketable Securities - Marketable securities consisted of investments in exchange traded shares designed to track the Wells Fargo Hybrid and Preferred shares index (WHPSF Financial Index). The Company accounts for its marketable securities in accordance with the provisions of Accounting Standards Codification ("ASC") 320-10. The Company classifies these securities as available for sale, and as such, they are reported at fair value. Unrealized gains and losses are recorded as a component of accumulated other comprehensive income and excluded from net income, except for unrealized losses determined to be other-than-temporary, which are recorded as interest and other income, net. The Company had accumulated unrealized gains/(losses) of $0 and $1,503 relating to investments in marketable securities for the years ended December 31, 2013 and 2012, respectively.

Property and Equipment - Property and equipment is stated at cost, including any cost to place the property into service, less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets which currently range from 3 to 5 years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the lease. Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and betterments are capitalized. The cost of any assets sold or retired and related accumulated depreciation are removed from the accounts at the time of disposition, and any resulting profit or loss is reflected in income or expense for the period.

Capitalized Technology Costs - In accordance with ASC 350-40, Internal-Use Software, the Company capitalizes certain external and internal computer software costs incurred during the application development stage. The application development stage generally includes software design and configuration, coding, testing and installation activities. Training and maintenance costs are expensed as incurred, while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized software costs are amortized over the estimated useful lives of the software assets on a straight-line basis, generally not exceeding three years.

Goodwill and Intangible Assets - The Company accounts for goodwill and intangible assets in accordance with ASC 350, Intangibles—Goodwill and Other ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill is evaluated for impairment annually (December 31 for the Company) and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Triggering events that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of goodwill or a significant decrease in expected cash flows.

When conducting its annual goodwill impairment assessment, the Company applied the two-step impairment test. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying value exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of that goodwill. Any excess of the goodwill carrying value over the respective implied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. No impairment of goodwill was identified as of December 31, 2013 and 2012.

The Company allocated a portion of the purchase of iHispano.com, Inc. to trade name and uniform resource locator. These assets have an indefinite life, and thus are not being amortized. The Company has performed its annual impairment evaluation for its other intangible assets with indefinite lives and determined that these were not impaired as of December 31, 2013 and 2012. The Company amortizes the cost of other intangibles over their estimated useful lives. Amortizable intangible assets may also be tested for impairment if indications of impairment exist.

Deferred Revenue - Deferred revenue includes customer deposits received prior to performing services which are recognized as revenue when revenue recognition criteria are met.

Treasury Stock – Treasury stock is recorded at cost as a reduction of stockholders' equity in the accompanying balance sheets.

Concentrations of Credit Risk - Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and cash equivalents and accounts receivable. The Company places its cash with high credit quality institutions. At times, such amounts may be in excess of the FDIC insurance limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on the account.

With respect to accounts receivables, concentrations of credit risk are limited to two customers in the on-line employment and distance education industries (Note 13).

Income Taxes - As a result of the Company's completion of its IPO, the Company's results of operations are taxed as a C Corporation. Prior to the IPO, the Company's operations were taxed as a limited liability company, whereby the Company elected to be taxed as a partnership and the income or loss was required to be reported by each respective member on their separate income tax returns. Therefore, no provision for income taxes has been provided in the accompanying financial statements for periods prior to March 31, 2013.

This change in tax status to a taxable entity resulted in the recognition of deferred tax assets and liabilities based on the expected tax consequences of temporary differences between the book and tax basis of the Company's assets and liabilities as of the date of the IPO. This resulted in a net deferred tax benefit of $380,832 being recognized and included in the tax provision for the year ended December 31, 2013. The tax benefit was determined using an effective tax rate of 40.6% for the period from March 4, 2013 (the date on which the tax status changed to a C Corporation) to December 31, 2013.

The unaudited pro forma computation of income tax benefit included in the statements of comprehensive (loss) income, represents the tax effects that would have been reported had the Company been subject to U.S. federal and state income taxes as a corporation for all periods presented. The company provided the pro forma income tax disclosures for the years ended December 31, 2013 and 2012 to illustrate what the company's net (loss) income would have been had income tax expense been provided for at an effective tax rate of 40.6% and 41.0%, respectively. Pro forma taxes are based upon the statutory income tax rates and adjustments to income for estimated permanent differences occurring during each period. Actual rates and expenses could have differed had the Company actually been subject to U.S. federal and state income taxes for all periods presented. Therefore, the unaudited pro forma amounts are for informational purposes only and are intended to be indicative of the results of operations had the Company been subject to U.S. federal and state income taxes as a corporation for all periods presented.

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement basis and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company estimates the degree to which tax assets and credit carryforwards will result in a benefit based on expected profitability by tax jurisdiction. A valuation allowance for such tax assets and loss carryforwards is provided when it is determined to be more likely than not that the benefit of such deferred tax asset will not be realized in future periods. If it becomes more likely than not that a tax asset will be used, the related valuation allowance on such assets would be reduced.

The Company has adopted the FASB guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with other authoritative U.S. GAAP, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance also addresses derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of the guidance did not have a significant effect on its accounting and disclosures for income taxes. Interest and penalties related to uncertain tax positions, if any, are recorded in income tax expense. Tax years that remain open for assessment for federal and state tax purposes include the year ended December 31, 2013.

Fair Value of Financial Assets and Liabilities - Financial instruments, including cash and cash equivalents, accounts payable and accrued liabilities, are carried at historical cost. Management believes that the recorded amounts approximate fair value due to the short-term nature of these instruments.

The Company measures the fair value of financial assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The Company uses three levels of inputs that may be used to measure fair value:

Level 1 — quoted prices in active markets for identical assets or liabilities

Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 — inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

Financial assets measured at fair value on a recurring basis are summarized below:

	December 31, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fair value of warrant obligations (Note 11)	$ 85,221	$ -	$ -	$ 85,221

	December 31, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Marketable securities	$ 251,349	$ 251,349	$ -	$ -

The Company considers its investments in exchange traded shares to be Level 1.

Level 3 liabilities are valued using unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the derivative liabilities. For fair value measurements categorized within Level 3 of the fair value hierarchy, the Company's accounting and finance department, who report to the Chief Financial Officer, determine its valuation policies and procedures. The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's accounting and finance department and are approved by the Chief Financial Officer.

Level 3 Valuation Techniques:

Level 3 financial liabilities consist of warrant liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

The Company uses the Black-Scholes option valuation model to value Level 3 financial liabilities at inception and on subsequent valuation dates. This model incorporates transaction details such as the Company's stock price, contractual terms, maturity, and risk free rates, as well as volatility.

A significant decrease in the volatility or a significant decrease in the Company's stock price, in isolation, would result in a significantly lower fair value measurement. Changes in the values of the derivative liabilities are recorded in "(Loss) gain due to change in fair value of derivative instruments" in the Company's consolidated statements of operations.

As of December 31, 2013, there were no transfers in or out of Level 3 from other levels in the fair value hierarchy.

Net (Loss) Earnings per Share - The Company computes basic net (loss) earnings per share by dividing net (loss) earnings per share available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the "treasury stock" and/or "if converted" methods as applicable. The computation of basic net (loss) income per share for the years ended December 31, 2013 and 2012 excludes the potentially dilutive securities summarized in the table below because their inclusion would be anti-dilutive.

	2013	2012
Warrants to purchase common stock	131,250	---

Recent Accounting Pronouncements - In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). ASU 2013-02 is intended to improve the reporting of reclassifications out of accumulated other comprehensive income. Accordingly, an entity is required to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. The amendments in this ASU supersede the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU 2013-05 and ASU 2013-12. ASU 2013-02 is effective for reporting periods beginning after December 15, 2012. The Company adopted ASU 2013-02 effective January 1, 2013 and the adoption did not have an impact on the Company's financial statements but may have an impact in future periods.

In July 2013, the FASB ASU, No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). ASU 2013-11 provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013, with an option for early adoption. The Company intends to adopt this guidance at the beginning of our first quarter of fiscal year 2014, and does not expect the adoption of this standard will have a material impact on its financial statements.

4. Acquisition

On September 20, 2013, the Company completed its acquisition of Personnel Strategies, Inc. ("PSI") pursuant to an Asset Purchase Agreement, dated September 18, 2013, by and among the Company and PSI, pursuant to which the Company acquired certain assets and assumed certain liabilities of PSI for an aggregate purchase price of $200,000. The Company concurrently hired PSI's former CEO and committed to pay him an additional $100,000 on each of September 20, 2014 and 2015, contingent upon the former CEO's continued employment on each of those respective dates. Additionally, the former CEO may receive up to an additional $100,000 on each of September 20, 2014 and 2015, provided certain cash flow targets are met. The Company recorded $25,000 of this contingent liability, which is included as a component of accrued expenses in the accompanying balance sheet at December 31, 2013 and also included in general and administrative expenses in the accompanying statements of comprehensive (loss) income for the year ended December 31, 2013. The Company acquired PSI in order to expand its networking capabilities and enhance the Company's diversity recruitment offerings by creating networking events that assist corporations in their compliance initiatives while providing diverse professionals with face-to-face time with corporate recruiters.

The acquisition was accounted for under the acquisition method of accounting. Accordingly, the acquired assets and assumed liabilities were recorded at their estimated fair values. The operating results for PSI are included in the financial statements from the effective date of acquisition of September 20, 2013 and did not have a material impact for the year ended December 31, 2013.

The allocation of the purchase price is summarized as follows:

Cash consideration paid by the Company	$	200,000
Allocated to:		
Cash	$	64,055
Accounts receivable		51,186
Prepaid expenses		6,667
Accounts payable		(4,242)
Accrued expenses		(17,323)
Net assets acquired		100,343
Goodwill		99,657
	$	200,000

Goodwill arising from the acquisition mainly consists of the synergies of an ongoing business and an experienced workforce. The Company's goodwill is deductible for tax purposes and will be amortized over a period of 15 years. Goodwill is subject to a test for impairment on an annual basis. Supplemental pro forma information has not been presented because the effect of this acquisition was not material to the Company's financial results.

5. Marketable Securities

The Company did not have any investments in marketable securities at December 31, 2013. Investments in marketable securities at December 31, 2012 are as follows:

	December 31, 2012			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Equity				
Exchange traded fund	$ 249,846	$ 1,503	$ -	$ 251,349

6. Capitalized Technology

Capitalized technology, net is as follows:

	December 31, 2013	December 31, 2012
Capitalized cost:		
Balance, beginning of period	$ 734,291	$ 376,044
Additional capitalized cost	354,808	358,247
Purchased technology	200,000	-
Balance, end of period	$ 1,289,099	$ 734,291
Accumulated amortization:		
Balance, beginning of period	$ 331,401	$ 229,897
Provision for amortization	265,187	101,504
Balance, end of period	$ 596,588	$ 331,401
Net Capitalized technology	$ 692,511	$ 402,890

Beginning the third quarter of 2012, the Company embarked on updating the technology stack of its web product platform to support emerging technologies. The Company switched over to the platform, dubbed "V2," at the end of year 2012, though the development and improvement will continue on an ongoing basis.

On June 14, 2013, the Company completed the purchase of a proprietary software technology from Careerimp, Inc. ("Careerimp") for $200,000. The Company concurrently hired Careerimp's former CEO and committed to pay Careerimp an additional $200,000 contingent upon the former CEO's continued employment through December 31, 2013. The Company recorded the $200,000 payment in general and administrative expenses in the accompanying statements of comprehensive (loss) income for the year ended December 31, 2013. Careerimp's former CEO was responsible for assisting the Company with the technical integration of the acquired technology platform.

Amortization expense of $265,187 and $101,504 for the years ended December 31, 2013 and 2012, respectively, is recorded in depreciation and amortization expense in the accompanying statement of comprehensive (loss) income.

7. Property and Equipment

Property and Equipment is as follows:

	December 31, 2013	December 31, 2012
Computer hardware	$ 74,462	$ 64,759
Furniture and fixtures	28,076	19,884
Leasehold improvements	18,171	13,876
	120,709	98,519
Less: Accumulated depreciation	65,928	63,656
	$ 54,781	$ 34,863

Depreciation expense for the years ended December 31, 2013 and 2012 was $16,461 and $11,439 respectively, and is recorded in depreciation and amortization expense in the accompanying statements of comprehensive (loss) income.

8. Accrued Expenses

Accrued expenses consist of the following:

	December 31, 2013	December 31, 2012
Consulting	$ 60,000	$ -
Payroll liabilities	41,930	1,094
Deferred payment from acquisition	25,000	-
Deferred rent	13,932	6,149
Sales and marketing	11,250	18,541
Taxes	-	28,199
Other	36,350	31,344
	$ 188,462	$ 85,327

9. Notes Payable

As of December 31, 2013, no notes payable are outstanding. As part of our reorganization in connection with our IPO, we entered into a debt exchange agreement with the three founders of the Company, whereby three outstanding promissory notes in the principal amounts of $1,341,676, $142,000 and $37,143 plus accrued interest owed to them, respectively, were exchanged for 168,982 shares, 28,851 shares and 7,547 shares of common stock, respectively, at a price per share equal to the initial public offering price, which was $8.00 per share. This transaction was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act").

At December 31, 2012, notes payable included the three notes described above. The interest rate on the notes was 6% per annum, with all unpaid interest and principal due on November 1, 2014. The Company assumed one of such notes payable at an acquisition date fair value of $692,614 and a face value of $1,341,676. The discount on the note was recorded at 6.055%.

The remaining unamortized discount was $0 and $138,255 at December 31, 2013 and 2012, respectively. Total notes payable including accrued but unpaid interest amounted to $0 and $1,487,900 as of December 31, 2013 and 2012, respectively. Interest expense on these note obligations amounted to $155,136 and $172,411 for the years ended December 31, 2013 and 2012, respectively. Interest expense includes the amortization of the debt discount of $138,255 and $70,385 for the years ended December 31, 2013 and 2012, respectively. Payments on the notes were $0 and $176,000 for the years ended December 31, 2013 and 2012, respectively.

10. Commitments and Contingencies

Lease Obligations - The Company leases office space under two operating lease agreements. A lease for our former headquarters, was scheduled to expire in 2014 and provided for monthly rent of $4,048. On January 18, 2013, we entered into a sublease agreement for our former headquarters space of approximately 1,870 square feet. The sublease provided $3,000 per month rent and expired on October 31, 2013. In January 2013, we exercised an early termination option clause and, accordingly, that lease expired in October 2013. The Company paid a lease termination fee of $13,090 in connection with the exercise of the early termination clause.

On December 16, 2012 the Company entered into a separate operating lease agreement commencing on January 1, 2013 to lease 4,600 square feet of office space which became our new headquarters. The lease expires on June 30, 2015 and provides for monthly rent of $4,064 for the first 10 months and $6,386 per month for the remaining 20 months of the lease. The Company also leases approximately 1,900 square feet of office space for its events business in Minnesota. The lease provides for monthly rental payments of $2,551 and is scheduled to expire on September 30, 2014.

Rent expense, amounting to $76,000 and $43,000 for the years ended December 31, 2013 and 2012, respectively, is included in general and administrative expense in the statements of comprehensive (loss) income. Included in rent expense for the year ended December 31, 2013 is $27,000 of sublease income.

Future minimum payments under the leases at December 31, 2013 are as follows:

Year ending December 31,		
2014	$	99,589
2015		38,313
Total	$	137,902

Employment Agreements - On March 5, 2013, the Company entered into two employment agreements with the Chief Executive Officer and the Chief Executive of the iHispano.com division (the “Executives”). The agreements were for a one year period and required annual base salaries of $200,000 and an annual bonus as determined by the Compensation Committee. In the event that either of the Executives are terminated without cause (as defined in the employment agreement) but not due to death or disability, the company will pay as severance continued salary for six (6) months to the terminated executive upon delivery of a release of claims against the company. No severance payment will be paid if termination is for cause or if the executive resigns. During each named Executive’s employment and for two (2) years thereafter, each Executive will agree not to disclose confidential information and will be subject to restrictions on competing or interfering with our business and business relationships and soliciting the services of our employees or independent contractors. Both of these contracts expired March 5, 2014 and the Executives continue to be compensated under the same terms as stated in the contract until new agreements are in place.

11. Warrant Liability

The common stock purchase warrants issued to the underwriters in the Company’s IPO in March 2013 have certain cash settlement features that require them to be recorded as liability instruments. At issuance, a portion of the proceeds from the IPO were allocated to the value of the warrant and recorded as an offering cost, reducing the proceeds from the IPO. Accordingly, as a liability, the warrant obligations are adjusted to fair value at the end of each reporting period with the change in value reported in the statement of operations. Such fair values were estimated using the Black-Scholes valuation model. The Company will continue to adjust the warrant liability for changes in fair value until the earlier of the exercise, at which time the liability will be reclassified to stockholders’ equity, or expiration of the warrants.

The warrant liability was valued using the Black-Scholes option valuation model and the following assumptions on the following dates:

	December 31, 2013	March 4, 2013
Strike price	$ 10.00	$ 10.00
Market price	$ 4.61	$ 8.00
Expected life	5.17 years	6.00 years
Risk-free interest rate	0.86%	0.86%
Dividend yield	0.00%	0.00%
Volatility	39%	48%
Warrants outstanding	131,250	131,250
Fair value of warrants	$ 85,221	$ 415,368

The fair value of the warrant liability decreased to $85,221 at December 31, 2013 from $415,368 at March 4, 2013. Accordingly, the Company decreased the warrant liability by $330,147 to reflect the change in the fair value of the warrant instruments for the period ended December 31, 2013, which is included in the accompanying statements of comprehensive (loss) income for the year ended December 31, 2013. The following table sets forth a summary of the changes in the fair value of our Level 3 financial liabilities that are measured at fair value on a recurring basis:

Beginning balance	$ -
Initial warrant valuation	(415,368)
Decrease in net value of warrant liability	330,147
Ending balance	$ (85,221)

12. Stockholders' Equity

Initial Public Offering – On March 8, 2013, we consummated our initial public offering of 2,625,000 shares of our common stock at a price to the public of $8.00 per share. The aggregate offering price for shares sold in the offering was $21 million. The offer and sale of all of the shares in the offering were registered under the Securities Act pursuant to registration statements on Form S-1 (File Nos. 333-187081 and 333-181594), which were declared effective by the SEC on March 4, 2013 and March 7, 2013, respectively. Aegis Capital Corp. and Merriman Capital, Inc. acted the underwriters for the offering. The net proceeds of the offering, after deducting the underwriting discounts and commissions, the underwriters' accountable expense allowance of up to 1.5% of the gross proceeds from the sale of the firm shares and offering expenses payable by us, were approximately $18.1 million.

Preferred Stock – The Company has no preferred stock issued. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that allow the Company's Board of Directors to issue, without further action by the stockholders, up to 1,000,000 shares of undesignated preferred stock.

Warrant – In connection with the IPO, the Company issued a warrant for 131,250 shares of common stock to the underwriter in connection with this offering that will remain outstanding after this offering at an exercise price of $10.00 per share, equal to 125% of the initial public offering price with an expiration date of March 4, 2019.

Common Stock– Following its IPO, the Company had one class of common stock outstanding with a total number of shares authorized of 25,000,000. As of December 31, 2013, the Company has 6,316,027 shares of common stock outstanding.

Equity Incentive Plans – Prior to the consummation of our initial public offering, we adopted the 2013 Equity Compensation Plan under which we reserved 500,000 shares of our common stock for the purpose of providing equity incentives to our employees, officers, directors and consultants including options, restricted stock, restricted stock units, stock appreciation rights, other equity awards, annual incentive awards and dividend equivalents. The plan provides for a maximum of 500,000 shares that could be acquired upon the exercise of a stock option or the vesting of restricted stock. The plan was approved by our stockholders prior to the consummation of our initial public offering. As of December 31, 2013, there were no securities granted under the plan.

Distributions to Members of the LLC – In 2013, prior to the reorganization on March 5, 2013, the Company made pro rata distributions to the members of the LLC in the amount of $200,000. In 2012 the Company made pro rata distributions to the members of the LLC in the amount of $2,900,000, of which $2,400,000 of such payments were pro rata distributions for income taxes due by members of the LLC as the LLC has elected to be taxed as a partnership.

Share Repurchase Program – On April 29, 2013, the Company announced that its Board of Directors authorized a share repurchase program pursuant to which the Company may repurchase up to $1 million of its outstanding common stock. The program was renewed by the Board of Directors on November 30, 2013. The repurchases under the program will be made from time to time over a six month period at prevailing market prices in open market or privately negotiated transactions, depending upon market conditions. The manner, timing and amount of any repurchases will be determined by the Company based on an evaluation of market conditions, stock price and other factors. Under the program, the purchases will be funded from available working capital, and the repurchased shares will be held in treasury. The program does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion. As of December 31, 2013, the Company acquired 2,200 shares of its outstanding common stock in exchange for $11,255. The share repurchase has been recorded as treasury stock, at cost, in the accompanying balance sheet at December 31, 2013.

13. Customer Concentration

The Company's revenues are highly dependent on two customers, LinkedIn and Apollo Group, Inc. ("Apollo Group" or "Apollo"). The loss of either major customer would materially and adversely affect the Company's business, operating results and financial condition. If Apollo seeks to negotiate its agreement on terms less favorable to the Company and the Company accepts such unfavorable terms, or if the Company seeks to negotiate better terms but is unable to do so, then the Company's business, operating results and financial condition would be materially and adversely affected. As discussed below, our agreement with LinkedIn will terminate on March 24, 2014.

The following table shows significant concentrations in our revenues and accounts receivable for the periods indicated.

	Percentage of Revenue During the Years Ended December 31,		Percentage of Accounts Receivable at December 31,	
	2013	2012	2013	2012
LinkedIn	50%	-	41%	-
Monster	-	65%	-	52%
Apollo	36%	31%	19%	20%

Recruitment Revenue

Revenues from the Company's recruitment services are recognized when the services are performed, evidence of an arrangement exists, the fee is fixed or determinable and collectability is probable. The Company's recruitment revenue is derived from the Company's agreements through single and multiple job postings, recruitment media, talent recruitment communities, basic and premier corporate memberships, hiring campaign marketing and advertising, e-newsletter marketing and research and outreach services.

Our agreement with Monster Worldwide, which expired on December 31, 2012, provided for an annual fixed fee of $4 million that was subject to adjustment based on certain criteria.

On November 12, 2012, we entered into a diversity recruitment partnership agreement with LinkedIn, which became effective on January 1, 2013 and will terminate on March 29, 2014. Pursuant to our agreement, LinkedIn may resell to its customers diversity-based job postings and recruitment advertising on our websites. Our agreement with LinkedIn provided that LinkedIn make fixed quarterly payments to us in the amount of $500,000 per quarter. The fixed quarterly payments were payable regardless of sales volumes or any other performance metric. Under the LinkedIn agreement, we also may have earned commissions for sales of our services by LinkedIn in excess of certain thresholds. We do not obtain information about commissions earned from LinkedIn, if any, until within 60 days following the end of any fiscal quarter. During 2013, we did not receive any additional commissions from LinkedIn. Our revenue derived from the LinkedIn contract during the year ended December 31, 2013 was $2,000,000, the amount of the guaranteed payment.

On December 31, 2013, LinkedIn served the Company notice of termination, effective as of March 29, 2014. LinkedIn did not provide a reason for the termination of the agreement. As part of the termination notice, LinkedIn waived their right under the termination conditions of the contract, to prevent the Company from soliciting the 1,000 accounts on the LinkedIn protected list for a period of one year.

In connection with its acquisition of PSI on September 30, 2013, the Company enhanced its diversity recruitment offerings by creating networking events that assist corporations in their compliance initiatives, while providing diverse professionals with face-to-face time with corporate recruiters. Revenue from the events business was $167,482 for the year ended December 31, 2013.

Consumer Advertising and Consumer Marketing Solutions Revenue

The businesses and organizations that use the Company's marketing solutions are enabled to target and reach large audiences of diverse professionals and connect to relevant services with solutions that include email marketing, social media, search engines, traffic aggregators and strategic partnerships. Advertising revenue is recognized based upon fixed fees with certain minimum monthly website visits, a fixed fee for revenue sharing agreements in which payment is required at the time of posting, billed based upon the number of impressions recorded on the websites as specified in the customer agreement or through our business relationships with Apollo Group.

In September 2011, the Company entered into an agreement with Apollo Group that provides for a fixed monthly fee of $116,667 for services and technical solutions provided by the Company to the University of Phoenix and its students and alumni. The agreement may be renewed annually. The agreement was most recently renewed on February 14, 2014 and will expire on February 28, 2015, unless it is renewed. The primary service provided is for recruitment solutions for the University of Phoenix student and alumni career services. The Company recognized revenue under this agreement in the amount of $1,400,000 during the years ended December 31, 2013 and 2012.

In January 2012, the Company launched an advertising and promotion campaign for the University of Phoenix containing digital banners, dedicated email blasts and weekly blogs. The Company guaranteed at least 30,000 visits to the sites over a six month period or was required to refund any shortfall at $5.00 per visit less than 30,000 visits or extend the agreement until the 30,000 visit guarantee is reached. Site visits for the number of users were measured through an outside service which monitored the Company's compliance with such minimum visits requirement. Total fees payable could not exceed $150,000. The Company recognized the lesser of (i) 1/6th of the $150,000 fee per month for each of the 6 months during the minimum measurement period of January 1, 2012 through June 30, 2012, or (ii) the cumulative number of visits through the end of such month. The Company recognized revenue under this agreement of $0 and $150,000 during the years ended December 31, 2013 and 2012, respectively.

On June 11, 2012, we agreed to an insertion order with Apollo Group that replaced the above January 2012 advertising and promotion campaign for the University of Phoenix. The insertion order provided for payment to us of up to $150,000 per month for a period of 12 months based upon the number of persons we referred to the University of Phoenix who expressed an interest in obtaining information about attending the University of Phoenix. There was no guaranteed payment associated with the insertion order for the lead generation for the University of Phoenix. The Company recognized revenue under the insertion order of $39,039 and $346,321 for the years ended December 31, 2013 and 2012, respectively. The insertion order for the lead generation for the University of Phoenix ended by mutual agreement as of June 30, 2013.

14. Income Taxes

The Company has the following net deferred tax assets at December 31, 2013:

Deferred tax assets:	
Net operating loss	$ 848,781
Other deferred tax assets	617
Total deferred tax assets	849,398
Deferred tax liabilities:	
Goodwill and trade name	(120,223)
Developed technology	(199,840)
Derivative liability	(133,959)
Property and equipment	(14,544)
Total deferred tax liabilities	(468,566)
Net deferred tax asset	$ 380,832

The benefit for income taxes for the year ended December 31, 2013 consists of the following:

Federal:	
Current provision	$ -
Deferred benefit	319,114
	319,114
State:	
Current provision	-
Deferred benefit	61,718
	61,718
	$ 380,832

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

Expected federal statutory rate	34.00%
State income taxes, net of federal benefit	6.58%
Tax exempt interest income	0.32%
Meals and entertainment	-0.38%
Dividends received deduction	0.12%
Deferred	-20.95%
Other	1.26%
	20.95%

At December 31, 2013, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately $2,092,000. The federal and state net operating loss carryforwards will expire, if not utilized, beginning December 31, 2033. There were no net operating losses in periods prior to the year ended December 31, 2013.

15. Related Party Transactions

Pursuant to an Investment Agreement, Mr. Kirsch received additional compensation payments equal to 30% of the principal payments made by the Company under the promissory notes payable to Ferdinando Ladurini in the principal amount of $1,341,676 (see Note 9). Additional compensation payments are recorded to expense in the accompanying statements of comprehensive (loss) income. Prior to commencement of our initial public offering, we obtained a binding agreement from our noteholders to convert their outstanding debt into equity in connection with our reorganization and initial public offering. As part of the reorganization, such debt was converted into equity and no further payments to Mr. Kirsch will be made pursuant to the agreement.

In 2010, Mr. Kirsch purchased a condominium apartment in Miami, Florida, which was primarily used by the Company and was financed by obtaining a bank loan providing initially for interest only payments. The Company paid for the down payment and earnest money on the apartment in the amount of $221,679. In 2012, the Company paid Mr. Kirsch $263,109 in additional compensation payment to compensate Mr. Kirsch for additional income taxes resulting from the amounts paid in 2010 for the condominium apartment in Miami, Florida. The Company discontinued paying the condominium costs prior to closing of the Company's initial public offering.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 27, 2014.

PROFESSIONAL DIVERSITY NETWORK, INC.

By: /s/ James Kirsch
James Kirsch
Chief Executive Officer

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James Kirsch and David Mecklenburger, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all and any other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ James Kirsch James Kirsch	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 27, 2014
/s/ David Mecklenburger David Mecklenburger	Chief Financial Officer and Secretary (Principal Financial Officer and Principal Accounting Officer)	March 27, 2014
/s/ Daniel Marovitz Daniel Marovitz	Director	March 27, 2014
/s/ Stephen Pemberton Stephen Pemberton	Director	March 27, 2014
/s/ Barry Feierstein Barry Feierstein	Director	March 27, 2014
/s/ Andrea Sáenz Andrea Sáenz	Director	March 27, 2014

EXHIBIT INDEX TO 2013 ANNUAL REPORT ON FORM 10-K

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of the registrant (incorporated herein by reference to Exhibit 3.1 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
3.2	Amended and Restated Bylaws of the Registrant (incorporated herein by reference to Exhibit 3.2 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
4.1	Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
4.2	Form of Underwriters' Warrant (incorporated herein by reference to Exhibit 1.1 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
10.1†	Agreement between Monster Worldwide Inc. and the registrant (incorporated herein by reference to Exhibit 10.1 of Amendment No. 4 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on September 7, 2012)
10.2†	First Amendment to the Alliance Agreement between Monster Worldwide Inc. and the Registrant, dated April 18, 2008 (incorporated herein by reference to Exhibit 10.2 of Amendment No. 4 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on September 7, 2012)
10.3†	Second Amendment to the Alliance Agreement between Monster Worldwide Inc. and the Registrant, dated January 31, 2009 (incorporated herein by reference to Exhibit 10.3 of Amendment No. 4 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on September 7, 2012)
10.4†	Third Amendment to the Alliance Agreement between Monster Worldwide Inc. and the Registrant, dated February 2010 (incorporated herein by reference to Exhibit 10.4 of Amendment No. 4 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on September 7, 2012)
10.5	Fourth Amendment to the Alliance Agreement between Monster Worldwide Inc. and the Registrant, dated September 16, 2011 (incorporated herein by reference to Exhibit 10.5 of Amendment No. 4 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on September 7, 2012)
10.6	Master Services Agreement between Apollo Group and the Registrant, dated October 1, 2012, (incorporated herein by reference to Exhibit 10.6 of Amendment No. 9 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on January 16, 2013)
10.7#	Form of Employment Agreement entered into between the registrant and James Kirsch (incorporated herein by reference to Exhibit 10.7 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
10.8#	Form of Employment Agreement entered into between the company and Rudy Martinez(incorporated herein by reference to Exhibit 10.8 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
10.9	Form of Contribution and Reorganization Agreement (incorporated herein by reference to Exhibit 12 of Amendment No. 10.9 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
10.10	Form of Debt Exchange Agreement (incorporated herein by reference to Exhibit 10.10 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
10.11	Insertion Order between Apollo Group and the Registrant, dated June 11, 2012 (incorporated herein by reference to Exhibit 10.11 of Amendment No. 4 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on September 7, 2012)

10.12†	Diversity Recruitment Partnership Agreement between the Registrant and LinkedIn Corporation, dated as of November 6, 2012 (incorporated herein by reference to Exhibit 10.12 of Amendment No. 9 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on January 16, 2013)
10.13	Statement of Work by and between the Registrant and Apollo Group, dated October 1, 2012 (incorporated herein by reference to Exhibit 10.13 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
10.14	Statement of Work by and between the Registrant and Apollo Group, dated April 1, 2013 (incorporated herein by reference to Exhibit 10.14 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
10.15#	Professional Diversity Network, Inc. 2013 Equity Compensation Plan (incorporated herein by reference to Exhibit 10.15 of Amendment No. 12 to the registrant's Registration Statement on Form S-1 (No. 333-181594) filed with the SEC on February 28, 2013)
10.16*	Asset Purchase Agreement among Professional Diversity Network, Inc. and Careerimp, Inc., dated as of June 14, 2013
10.17*	Asset Purchase Agreement among Professional Diversity Network, Inc. and Personnel Strategies, Inc., dated as of September 18, 2013
21	Subsidiaries of the Registrant - None.
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) or Rule 15d- 14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or Rule 15d- 14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*	Filed herewith
†	Confidential treatment requested as to certain portions of this exhibit. Such portions have been redacted and submitted separately to the SEC.
#	Denotes a management contract or compensation plan or arrangement

Exhibit 10.16

EXECUTION VERSION

ASSET PURCHASE AGREEMENT

AMONG

PROFESSIONAL DIVERSITY NETWORK, INC.
a Delaware corporation,

AND

CAREERIMP, INC.,
a Delaware corporation,

AND

AYAN KISHORE

June 14, 2013

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is entered into as of June 14, 2013, by and among CAREERIMP, INC., a Delaware corporation ("Target"), and Ayan Kishore, individually, as a principal stockholder of Target (" Target Stockholder" and, collectively, jointly and severally with Target, " Sellers"), and PROFESSIONAL DIVERSITY NETWORK, INC., a Delaware corporation ("Buyer"). Buyer and Sellers are each individually referred to herein as a "Party" and collectively as the "Parties."

RECITALS:

A. Target engages in the business of, among other things, developing career guidance tools for jobseekers.

B. Target desires to contribute, sell, assign, convey and transfer to Buyer substantially all of its assets and certain of its liabilities, and as consideration therefore Buyer desires to pay to Target the cash consideration and assume certain of Target's liabilities, all on the terms and subject to the conditions contained in this Agreement.

C. Target Stockholder owns a majority of the outstanding shares of capital stock of Target.

Now, therefore, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows.

AGREEMENTS

§1. Definitions.

"Accounts Payable" means all accounts payable of Target whether arising prior to, on or after the Closing.

"Accrued Expenses" means all accrued and unpaid expenses of Target whether arising prior to, on or after the Closing, including, without limitation, (x) Liabilities for salaries, wages, bonuses, paid personal, sick and vacation time and other compensation and related payroll Tax Liabilities and (y) Liabilities for Taxes.

"Acquired Assets" means all right, title, and interest in and to all of the assets of Target other than Excluded Assets, including, without limitation, all of its (a) tangible personal property; (b) all of Target's Intellectual Property, goodwill associated therewith, licenses and sublicenses granted and obtained with respect thereto, and rights thereunder, remedies against infringements thereof (including the right to sue and recover for prior infringements), and rights to protection of interests therein under the laws of all jurisdictions (except that the Domain IP shall not be an Acquired Asset); (c) agreements and contracts (including, purchase orders, quotations, bids and sales orders, other similar arrangements, and rights thereunder) set forth on Schedule 1(a); (d) those insurance policies (and rights thereunder) which do not constitute Excluded Assets, if any; (e) claims (and benefits to the extent they arise therefrom) with respect to insurance policies (regardless of whether such insurance policies constitute Excluded Assets) to the extent such claims relate in any way to the Acquired Assets or Assumed Liabilities; (f) claims, deposits, prepayments, refunds, causes of action, choses in action, rights of recovery, rights of set-off, and rights of recoupment; (g) franchises, approvals, permits, licenses, orders, registrations, certificates, variances, and similar rights obtained from governments and governmental agencies; and (h) books, records, ledgers, files, documents, correspondence, lists, plats, architectural plans, drawings, and specifications, creative materials, advertising and promotional materials, studies, reports, and other printed or written.

"Additional Purchase Price" means $200,000.

"Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and reasonable attorneys' fees and expenses.

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act of 1934, as amended.

"Affiliated Group" means any affiliated group within the meaning of Code §1504(a) or any similar group defined under a similar provision of state, local, or foreign law.

"Agreement" has the meaning set forth in the preface.

"Assumed Liabilities" means all obligations of Target under the agreements, contracts, leases, licenses, and other arrangements entered into in the Ordinary Course of Business which are assigned to Buyer pursuant to this Agreement, but only to the extent referred to and included in the definition of Acquired Assets and included on Schedule 1(b), either (i) to furnish goods, services, and other non-Cash benefits to another party after the Closing or (ii) to pay for goods, services, and other non-Cash benefits that another party will furnish to it after the Closing.

"Buyer" has the meaning set forth in the preface.

"Buyer Indemnitee" has the meaning set forth in §6(b).

"Cash" means cash and cash equivalents (including marketable securities and short-term investments) calculated in accordance with GAAP applied on a basis consistent with the preparation of the Financial Statements.

"Cause" means, as determined by the Company in its sole discretion, the occurrence of any one of the following on the part of Ayan Kishore: (i) conviction of or a plea of *nolo contendre* to a felony or an act of moral turpitude which interferes with the performance of his duties and responsibilities as an employee of Buyer or affects or reflects on Buyer in a negative manner; (ii) attempted or actual theft, fraud or embezzlement of money or tangible or intangible assets or property of Buyer or its employees or customers, suppliers or vendors; (iii) gross negligence or willful misconduct in respect of the performance of his duties and responsibilities as an employee of Buyer; (iv) breach of his fiduciary duties as an officer of Buyer; (v) his willful failure to perform his duties and responsibilities within the scope of his employment as SVP, Operations and Technology (other as a result of his death or disability), which such failure continues or is repeated following fifteen (15) days' written notice from Buyer thereof; (vi) violation of any lawful express direction from the Board of Directors of Buyer or any officer of Buyer to whom he reports, relating to his duties and responsibilities within the scope of his employment with Buyer as SVP, Operations and Technology, which such violation (if susceptible to cure) continues or is repeated following fifteen (15) days' written notice from Buyer thereof; (vi) breach of §5(f) or (g) of this Agreement, or of any material term, covenant, representation or warranty contained in any other agreement between Buyer and Ayan Kishore, which such breach (if susceptible to cure) remains uncured or is repeated following fifteen (15) days' written notice from Buyer thereof.

"Closing" has the meaning set forth in §2(d).

"Closing Cash Payment" means $200,000.

"Closing Date" has the meaning set forth in §2(d).

"COBRA" means the requirements of Part 6 of Subtitle B of Title I of ERISA and Code §4980B and of any similar state law.

"Code" means the Internal Revenue Code of 1986, as amended.

"Confidential Information" means any confidential or proprietary information concerning the business and affairs of Target.

"Data Laws" means laws, regulations, guidelines, and rules in any jurisdiction (federal, state, provincial, or local) applicable to data privacy, data security, and/or personal information, as well as industry standards applicable to Target.

"Disclosure Schedule" has the meaning set forth in §3.

"Domain" means the domain name app.ly and the apply.app.ly subdomain.

"Domain IP" means all trademarks, service marks, trade dress, logos, slogans, trade names, corporate names, URLs, and Internet domain names associated with the Domain, all goodwill of the business associated therewith, all rights thereunder, all remedies against infringements thereof (including the right to sue and recover for prior infringements), and all rights to protection of interests therein under the laws of all jurisdictions.

"Employee Benefit Plan" means any "employee benefit plan" (as such term is defined in ERISA §3(3)) and any executive compensation, bonus, stock purchase, stock option, severance plan, salary continuation, vacation, sick leave, fringe benefit, incentive, insurance arrangement , or similar material plan or arrangement for one or more employees which is not subject to ERISA.

"Employee Pension Benefit Plan" has the meaning set forth in ERISA §3(2).

"Employee Welfare Benefit Plan" has the meaning set forth in ERISA §3(1).

"Environmental, Health, and Safety Requirements" shall mean, as amended and as now and hereafter in effect, all federal, state, local, and foreign statutes, regulations, ordinances, and other provisions having the force or effect of law, all judicial and administrative orders and determinations, all contractual obligations, and all common law concerning public health and safety, worker health and safety, pollution, or protection of the environment, including, without limitation, all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous materials, substances, or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise, or radiation.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means each entity that is treated as a single employer with Target for purposes of Code §414.

"Excluded Assets" means (a) Cash, (b) judgments, claims (and benefits to the extent they arise therefrom) and litigation against third parties to the extent such claims and litigation are not in any way related to the Acquired Assets or Assumed Liabilities; (c) insurance policies of Target in effect as of the Closing Date and rights in connection therewith (including, without limitation, insurance policies that constitute Employee Welfare Benefit Plans), subject to subsection (f) of the definition of "Acquired Assets" and unless prior to the Closing, Buyer elects, by written notice delivered to Target prior to the Closing Date, to accept assignments of any of such insurance policies; (d) rights in and with respect to assets associated with Employee Benefit, Employee Pension Benefit Plans or Employee Welfare Benefit Plans; (e) rights arising from any refunds due with respect to insurance premium payments to the extent they relate to insurance policies which constitute Excluded Assets; (f) rights arising from deposits and prepaid expenses, if any, with respect to the Excluded Assets; (g) Target's corporate charter, minute and stock record books, corporate seal, and other documents relating to the organization, maintenance, and existence of Target as a corporation; (h) rights to the refund of any income tax, of any kind, paid by Target or Target Stockholder or any other Stockholder prior to the Closing and all rights to any income tax deposits or payments paid by Target or Target Stockholder or any other Stockholder prior to the Closing relating to the Acquired Assets or Target; (i) any of the rights of Target under this Agreement (or under any side agreement between Target on the one hand and Buyer on the other hand entered into on or after the date of this Agreement); (j) all end-user data and other information collected from end-users by Target prior to April 18, 2011; (k) all accounts, notes, and other receivables with respect to the Acquired Assets; (l) the Domain and the Domain IP and (m) the assets listed on Schedule 1(c) attached hereto.

"Excluded Liabilities" means any and all liabilities or obligations not expressly and specifically included within the definition of Assumed Liabilities, including, without limitation, (a) any liabilities of Target to any stockholder of Target or any Affiliate of Sellers, including, without limitation, the Target Stockholder and the other Stockholders; (b) any liabilities for legal, accounting, audit and investment banking fees, brokerage commissions, and any other expenses incurred by Sellers in connection with the negotiation and preparation of this Agreement or the sale of the Acquired Assets to Buyer hereunder; (c) any liabilities for Taxes; (d) any liability for or related to indebtedness to banks, financial institutions or other persons or entities with respect to borrowed money or otherwise; (e) any liabilities under those agreements, commitments, contracts, insurance policies, leases, licenses, permits, purchase orders, and sales orders which are not assigned to Buyer pursuant to the provisions of this Agreement; (f) product and service warranty liabilities with respect to, and liabilities with respect to returns or allowances and recalls of, products shipped or manufactured or services rendered on or prior to the Closing Date; (g) any liabilities arising out of or in connection with any Employee Benefit Plans, Employee Pension Benefit Plans, or Employee Welfare Benefit Plans; (h) any liabilities under collective bargaining agreements in respect of employees, any Employee Pension Benefit Plan or any Multiemployer Plan (including, without limitation, any so-called "withdrawal liability" under any such plan); (i) any liabilities to employees for salaries, wages (including, without limitation, overtime pay), bonuses, vacation pay and other compensation, including, without limitation, any liabilities to pay bonuses or severance to employees of Sellers whose employment is terminated prior to the Closing Date or in connection with the sale of the Acquired Assets; (j) any liabilities under any federal or state civil rights or similar law, or the WARN Act, resulting from Target's treatment of its employees, including without limitation Target's termination of employment of its employees; (k) any liabilities as a result of any grievance proceeding, arbitration, administrative proceeding, or proceedings in any court, based upon any employment actions, inactions or omissions by Target, involving any employees or former employees of Target, or individuals who applied for employment with Target, which relate in any way to decisions to hire or not hire such individuals, decisions to terminate, discharge, lay off promote, demote or transfer such individuals, relating to bargaining obligations or actions taken contrary to any bargaining obligations, and decisions regarding payment of compensation and/or benefits to such individuals (including, without limitation, claims raised under any federal, state or local statute or regulation, common law claims, claims based upon any employment contract, or claims based upon any collective bargaining agreement); (l) any claims against or liabilities for injury to or death of persons or damage to or destruction of property (including, without limitation, any worker's compensation claim) regardless of when said claim or liability is asserted, including, without limitation, any claim or liability for consequential or punitive damages in connection with the foregoing; (m) any liabilities arising out of or in connection with any violation of a statute or governmental rule, regulation or directive; (n) any liabilities or obligations with respect to, or relating to, any Environmental, Health, and Safety Requirements; (o) any liabilities in connection with or arising out of the transfer or assignment of any agreements, commitments, contracts, leases, licenses or permits (including, without limitation, under any computer software agreement or license); (p) any liabilities for retrospective or similar insurance premium adjustments with respect to insurance policies transferred or assigned to Buyer pursuant to the provisions of this Agreement; (q) any liabilities for or arising in connection with any claims for infringement or misappropriation by Target or any of its Affiliates of any Intellectual Property or trade secrets of any third party, including, without limitation, claims by Lumen View Technology LLC that any Acquired Asset or the Target's business infringes U.S. Patent No. 8.069,073, (r) Accounts Payable; (s) Accrued Expenses; and/or (t) any liabilities (whether asserted before or after Closing) for or arising in connection with any breach of a representation, warranty, or covenant, or for any claim for indemnification, contained in any agreement, contract, lease, license or permit to the extent that such breach or claim arose out of or by virtue of Sellers' performance or nonperformance thereunder on or prior to the Closing Date, it being understood that, as between Sellers and Buyer, this subsection shall apply notwithstanding any provisions which may be contained in any form of consent to the assignment of any such agreement or contract, or any novation agreement, which, by its terms, imposes such liabilities upon Buyer and which assignment or novation agreement is accepted by Buyer notwithstanding the presence of such a provision, and that Sellers' failure to discharge any such liability shall entitle Buyer to indemnification in accordance with the provisions of this Agreement.

“Financial Statements” has the meaning set forth in §3(g).

“GAAP” means United States generally accepted accounting principles as in effect from time to time, consistently applied.

“Good Reason” means (i) any permanent transfer of Alan Kishore by Buyer of greater than fifty (50) miles from Ayan Kishore’s primary residence without Ayan Kishore’s prior written consent; (ii) a material breach by Buyer of a material covenant or agreement made in this Agreement; or (iii) a material and adverse change in Ayan Kishore’s current title, pay and/or duties to Buyer without Ayan Kishore’s prior written consent; provided, however, in each case, that such transfer, breach or change continues following fourteen (14) days’ written notice from Ayan Kishore to Buyer thereof, which such notice shall be given no later than fourteen (14) days after Ayan Kishore has knowledge of such transfer, breach or change.

“Indemnified Party” has the meaning set forth in §6(d).

“Indemnifying Party” has the meaning set forth in §6(d).

“Intellectual Property” means all of the following in any jurisdiction throughout the world: (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof, (b) all trademarks, service marks, trade dress, logos, slogans, trade names, corporate names, URLs, Internet domain names, Web site content and rights in telephone numbers and e-mail accounts and addresses, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (c) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith, (d) all mask works and all applications, registrations, and renewals in connection therewith, (e) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), (f) all computer software (including Source Code, executable code, data, databases, and related documentation) and systems, (g) all machine learning techniques (including all related Source Code, documentation and other materials); (h) all natural language processing (including all related Source Code, documentation and other materials); (i) all advertising and promotional materials; (j) all prototypes; (k) all other proprietary rights, and (l) all copies and tangible embodiments thereof (in whatever form or medium).

"Knowledge of Sellers" (or words of like import) means, with respect to a particular matter, the knowledge the Target Stockholder or any officer or director of Target has or should have after due and diligent investigation.

"Leased Real Property" means all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures, or other interest in real property held by Target.

"Liability" means any liability or obligation of whatever kind or nature (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

"Lien" means any mortgage, pledge, lien, encumbrance, charge, or other security interest other than (a) liens for Taxes not yet due and payable and (b) purchase money liens and liens securing rental payments under capital lease arrangements.

"Material Adverse Effect" or "Material Adverse Change" means any effect or change that would be (or could reasonably be expected to be) materially adverse to the business, assets, condition (financial or otherwise), operating results, operations, or business prospects of Target, individually or taken as a whole, or to the ability of Target to consummate timely the transactions contemplated hereby (regardless of whether or not such adverse effect or change can be or has been cured at any time or whether Buyer has knowledge of such effect or change on the date hereof).

"Most Recent Balance Sheet" means the balance sheet contained within the Most Recent Financial Statements.

"Most Recent Financial Statements" has the meaning set forth in §3(g).

"Most Recent Fiscal Month End" has the meaning set forth in §3(g).

"Most Recent Fiscal Year End" has the meaning set forth in §3(g).

"Multiemployer Plan" has the meaning set forth in ERISA §3(37).

"Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

"Owned Real Property" means all land, together with all buildings, structures, improvements and fixtures located thereon, including all electrical, mechanical, plumbing and other building systems, fire protection, security and surveillance systems, telecommunications, computer, wiring, and cable installations, utility installations, water distribution systems, and landscaping, together with all easements and other rights and interests appurtenant thereto (including air, oil, gas, mineral, and water rights), owned by Target.

"Parties" has the meaning set forth in the preface.

"Party" has the meaning set forth in the preface.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity, or a governmental entity (or any department, agency, or political subdivision thereof).

"Purchase Price" means the sum of the Closing Cash Payment and, only to the extent payable under §2(c), the Additional Purchase Price.

"Real Property" means the Owned Real Property and the Leased Real Property.

"Sellers" has the meaning set forth in the preface.

"Source Code" means human-readable computer software and code, in a form other than Object Code form or machine-readable form, including related programmer comments and annotations, help text, data and data structures, object-oriented and other code, which may be printed out or displayed in human-readable form, and, for purposes of this Source Code definition, "Object Code" means computer software code, substantially or entirely in binary form, which is intended to be directly executable by a computer after suitable processing and linking but without the intervening steps of compilation or assembly.

"Stockholder" means all of the beneficial and record owners of shares of Target's capital stock.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof or (b) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof and for this purpose, a Person or Persons own a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity's gains or losses or shall be or control any managing director or general partner of such business entity (other than a corporation). The term "Subsidiary" shall include all Subsidiaries of such Subsidiary.

"Target" has the meaning set forth in the preface.

"Target's Indemnification Cap" has the meaning set forth in §6(f).

"Target Stockholder" has the meaning set forth in the preface.

"Tax" or "Taxes" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code §59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, and any amounts required to be paid or remitted to any federal, state, local or foreign governmental authority pursuant to any law governing the disposition of abandoned, unclaimed or escheated property, in each case, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any interest, penalty, or addition thereto, whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other Person.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third-Party Claim" has the meaning set forth in §6(d).

"WARN Act" means the Worker Adjustment and Retraining Notification Act of 1988, as amended, or any similar foreign, state or local law, regulation or ordinance.

§2. Basic Transaction.

(a) Purchase and Sale of Assets. On and subject to the terms and conditions of this Agreement, Target agrees to assign, convey, deliver and transfer the Acquired Assets to Buyer at Closing, and Buyer agrees to acquire the Acquired Assets in exchange for the cash consideration to be paid pursuant to §2(c) below and Buyer's assumption of the Assumed Liabilities pursuant to §2(b) below.

(b) Assumption of Liabilities. On and subject to the terms and conditions of this Agreement, Buyer agrees to assume the Assumed Liabilities at the Closing. Buyer will not assume or have any responsibility, however, with respect to any Excluded Liabilities, any and all of which shall be retained by Target and discharged and satisfied by Target in the ordinary course, for which Sellers shall remain solely liable and responsible and for and against which Sellers shall indemnify and hold Buyer harmless in accordance with the provisions of this Agreement.

(c) Payment of Consideration. In consideration for the Acquired Assets, Buyer shall pay to Target at the Closing an aggregate amount equal to the Closing Cash Payment, in cash payable by wire transfer or delivery of other immediately available funds. If and only if Ayan Kishore is employed by Buyer on December 31, 2013, then Buyer shall pay to Target on December 31, 2013 the Additional Purchase Price, in cash payable by wire transfer or delivery of other immediately available funds; provided that, for purposes of this Section 2(c), Ayan Kishore shall also be deemed to have been employed by Buyer on December 31, 2013 in the event that Ayan Kishore's employment with Buyer was terminated prior to December 31, 2013, by Buyer for other than Cause or by Ayan Kishore for Good Reason.

(d) Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Patzik Frank & Samotny Ltd., in Chicago, Illinois commencing at 10:00 a.m. local time on the date hereof, or at such other time or place or in such other manner, as the Parties shall mutually agree. The date on which the Closing occurs in accordance with the preceding sentence is referred to in this Agreement as the "Closing Date." The Closing shall be deemed to be effective as of 12:01 a.m. Central Standard Time on the Closing Date.

(e) Deliveries at Closing. At the Closing, the Parties shall execute and deliver the following documents:

(i) Target shall execute and/or deliver to Buyer the following:

(A) The Omnibus Bill of Sale and Assignment and other assignments in the forms attached as Exhibits A-1 through A-4, and such other instruments of sale, transfer, conveyance, and assignment as Buyer and its counsel may reasonably request;

(B) An assumption in the form attached as Exhibit B, and such other instruments of assumption as Buyer and its counsel may reasonably request;

(C) All authorizations, consents, and approvals of governments, governmental agencies and third-parties required in connection with Target's sale and assignment of the Acquired Assets and the consummation of the transaction contemplated herein, including those referred to in §3(c) and §4(c);

(D) A copy of the certificate of incorporation of Target, certified on or soon before the Closing Date by the Secretary of State of the State of Delaware;

(E) A copy of the certificate of good standing of Target issued on or soon before the Closing Date by the Secretary of State (or comparable officer) of the State of Delaware and of each jurisdiction in which it is qualified to do business;

(F) A certificate of the secretary of Target, dated the Closing Date, in form and substance reasonably satisfactory to Buyer, as to: (1) no amendments to the certificate of incorporation of Target since the date specified in subsection (D) above; (2) the bylaws of Target; and (3) the joint unanimous written consent of the board of directors and Stockholders of Target relating to this Agreement and the transactions contemplated hereby;

(G) A written consent from Saad Suhail Salim Al Mukaini Bahwan in form satisfactory to Buyer;

(H) Confirmations of the assignments of the domain names (other than the Domain) from Ayan Kishore, individually, or Coro Center for Civic Leadership, as applicable, to Target with respect to yourcrappyresume.com, jobware.tv and theregionalinternshipcenter.org; and

(I) Any and all other certificates, opinions, instruments, and other documents required to effect the transactions contemplated hereby, in form and substance reasonably satisfactory to Buyer.

(ii) Buyer will execute and/or deliver to Target the following:

(A) All authorizations, consents, and approvals of governments and governmental agencies required for Buyer to perform its obligations hereunder; and

(B) Any and all certificates, instruments, and other documents required to effect the transactions contemplated hereby, in form and substance reasonably satisfactory to Target.

(g) Allocation. The Parties agree to allocate the Purchase Price in accordance with the rules under Section 1060 of the Code. Such Purchase Price allocation shall be prepared by Buyer and delivered to Target within ninety (90) days of the Closing. Absent a manifest error in Buyer's preparation and/or calculation of such allocation, each Seller hereby agrees that he or it shall accept Buyer's allocation of the Purchase Price. Buyer and Sellers and their Affiliates shall report, act and file Tax Returns (including, but not limited to Internal Revenue Service Form 8594) in all respects and for all purposes consistent with such allocation pursuant to this subsection. Target shall timely and properly prepare, execute, file and deliver all such documents, forms and other information as Buyer may reasonably request to prepare such allocation. Neither Buyer nor Sellers shall take any position (whether in audits, tax returns or otherwise) that is inconsistent with such allocation unless required to do so by applicable law.

§3. Sellers' Representations and Warranties. Target represents and warrants to Buyer that the statements contained in this §3 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this §3), except as set forth in the disclosure schedule accompanying this Agreement (the "Disclosure Schedules"). The Disclosure Schedule will be arranged in sections corresponding to the lettered and numbered sections contained in this §3.

(a) Organization of Target. Target is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware. Target is qualified to do business in and is in good standing under the laws of each jurisdiction in which such qualification is required, except where the failure to so qualify does not have a Material Adverse Effect.

(b) Authorization of Transaction. Target has full corporate power and authority, to execute and deliver this Agreement and to perform its obligations hereunder. Without limiting the generality of the foregoing, the Stockholders and the board of directors of Target have duly authorized the execution, delivery, and performance of this Agreement by Target. This Agreement constitutes the valid and legally binding obligation of Target, enforceable in accordance with its terms and conditions.

(c) Non-contravention. Except as set forth on Schedule 3(c) of the Disclosure Schedules, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in §2), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which any Seller is subject or any provision of the certificate of incorporation or bylaws of Target or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any agreement, contract, lease, license, instrument, or other arrangement to which any Seller is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Lien upon any of its assets), except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice, or obtain consent or Lien would not have a Material Adverse Effect. Sellers need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any third party, government or governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement (including the assignments and assumptions referred to in §2), except where the failure to give notice, to file, or to obtain any authorization, consent, or approval would not have a Material Adverse Effect.

(d) Brokers' Fees. Except as set forth on Schedule 3(d) of the Disclosure Schedules, Sellers have no Liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Buyer could become liable or obligated.

(e) Title to Assets. Target has good and marketable title to, or a valid leasehold interest in, the properties and assets used or usable by it, located on its premises, or shown on the Most Recent Balance Sheet or acquired after the date thereof, free and clear of all Liens, except for properties and assets disposed of in the Ordinary Course of Business since the date of the Most Recent Balance Sheet. Target has good and marketable title to all of the Acquired Assets, free and clear of any Liens or restriction on transfer. No property or interest in any property which relates to and is or will be necessary or useful in the present or currently contemplated future operation of Target's business, is presently owned by or leased by or to any party other than Target.

(f) Subsidiaries. Target does not have, nor has it ever had, any Subsidiaries.

(g) Financial Statements. Attached hereto as Exhibit C are the following financial statements (collectively the "Financial Statements"): (i) internally prepared balance sheet and statement of income as of and for the fiscal year ended December 31, 2012 (the "Most Recent Fiscal Year End"), for Target; and (ii) internally prepared balance sheet and statement of income (the "Most Recent Financial Statements") as of and for the three (3) months ended March 31, 2013 (the "Most Recent Fiscal Month End"), for Target. The Financial Statements present fairly the financial condition of Target as of such dates and the results of operations and cash flows of Target for such periods, are correct and complete, and are consistent with the books and records of Target (which books and records are correct and complete); provided, however, that the Most Recent Financial Statements are subject to normal year-end adjustments (which will not be material individually or in the aggregate).

(h) Undisclosed Liabilities. Target does not have any material Liability (and there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any of them giving rise to any material Liability), except for (i) Liabilities set forth on the face of the Most Recent Balance Sheet (rather than in any notes thereto) and (ii) Liabilities that have arisen after the Most Recent Fiscal Month End in the Ordinary Course of Business (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement, or violation of law).

(i) Solvency. As of the effective time of the Closing, after giving effect to the transactions contemplated by this Agreement, Target will not: (a) be insolvent (either because its financial condition is such that the sum of its debts is greater than the fair market value of its assets or because the fair saleable value of its assets (i.e., the Purchase Price) is less than the amount required to pay its probable liabilities on existing debts as they mature; or (b) have incurred debts beyond its ability to pay as they become due. Target shall remain solely liable and responsible for the Excluded Liabilities, discharge and satisfy its accounts payable (to the extent not included in the Assumed Liabilities) at Closing and other Excluded Liabilities when due, and indemnify and hold Buyer harmless from and against such Excluded Liabilities in accordance with the provisions of this Agreement.

(j) Legal Compliance. Target and its Affiliates have complied with all applicable laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder and including the Foreign Corrupt Practices Act, 15 U.S.C. 78dd-1 et seq.) of federal, state, local, and foreign governments (and all agencies thereof), and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against any of them alleging any failure so to comply.

(k) Tax Matters.

(i) Target has timely filed all Tax Returns that it was required to file under applicable laws and regulations. All such Tax Returns were correct and complete in all respects and were prepared in substantial compliance with all applicable laws and regulations. All Taxes due and owing by Target (whether or not shown or required to be shown on any Tax Return) have been paid. Target is not currently the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where Target does not file Tax Returns that Target is or may be subject to taxation by that jurisdiction. There are no Liens on any of the assets of Target that arose in connection with any failure (or alleged failure) to pay any Tax.

(ii) Without limiting the foregoing, Target has withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party, and all Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed.

(iii) Schedule 3(k) of the Disclosure Schedules lists all federal, state, local, and foreign income Tax Returns filed with respect to Target for taxable periods ended on or after December 31, 2010, indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. Target has delivered to Buyer correct and complete copies of all income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by Target since December 31, 2010.

(iv) No foreign, federal, state, or local tax audits or administrative or judicial Tax proceedings are pending or being conducted with respect to Target. Target has not received from any foreign, federal, state, or local taxing authority (including jurisdictions where has not filed Tax Returns) any (i) notice indicating an intent to open an audit or other review, (ii) request for information related to Tax matters, or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed by any taxing authority against Target. Target has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(l) Real Property. Except as set forth on Schedule 3(l) of the Disclosure Schedules, there is no Owned Real Property or Leased Real Property related to Target's business.

(m) Intellectual Property. (i) Target owns or possesses or has the right to use pursuant to a valid and enforceable written license, sublicense, agreement, or permission all Intellectual Property necessary for the operation of the business of Target as presently conducted. Each item of Intellectual Property owned or used by Target immediately prior to the Closing will be owned or available for use by Buyer on identical terms and conditions immediately subsequent to the Closing hereunder.

(ii) Target nor any of its businesses as presently conducted has or will interfere with, infringe upon, misappropriate, or otherwise come into conflict with, any Intellectual Property rights of third parties; and none of Sellers has ever received any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or conflict (including any claim that Target must license or refrain from using any Intellectual Property rights of any third party). To the Knowledge of Sellers, no third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with, any Intellectual Property rights of Target.

(iii) Schedule 3(m)(iii) of the Disclosure Schedules identifies each patent or registration that has been issued to Target with respect to any of its Intellectual Property, identifies each pending patent application or application for registration that Target has made with respect to any of its Intellectual Property, and identifies each license, sublicense, agreement, or other permission that Target has granted to any third party with respect to any of its Intellectual Property (together with any exceptions). Target has delivered to Buyer correct and complete copies of all such patents, registrations, applications, licenses, sublicenses, agreements, and permissions (as amended to date). Schedule 3(m)(iii) of the Disclosure Schedules also identifies each material unregistered trademark, service mark, trade name, corporate name or Internet domain name, computer software item (other than commercially available off-the-shelf software purchased or licensed for less than a total cost of $1,000 in the aggregate) and each material unregistered copyright used by Target in connection with its business. With respect to each item of Intellectual Property required to be identified on Schedule 3(m)(iii) of the Disclosure Schedules:

(A) Target owns and possesses all right, title, and interest in and to the item, free and clear of any Lien, license, or other restriction or limitation regarding use or disclosure;

(B) the item is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge;

(C) no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, to the Knowledge of Sellers, is threatened that challenges the legality, validity, enforceability, use, or ownership of the item, and there are no grounds for the same;

(D) Target has not agreed to indemnify any Person for or against any interference, infringement, misappropriation, or other conflict with respect to the item; and

(E) no loss or expiration of the item is threatened, pending, or reasonably foreseeable, except for patents expiring at the end of their statutory terms (and not as a result of any act or omission by Sellers, including without limitation, a failure by Sellers to pay any required maintenance fees).

(iv) Schedule 3(m)(iv) of the Disclosure Schedules identifies each item of Intellectual Property (other than commercially available off-the-shelf software purchased or licensed for less than a total cost of $1,000 in the aggregate) that any third party owns and that Target uses pursuant to license, sublicense, agreement, or permission. Target has delivered to Buyer correct and complete copies of all such licenses, sublicenses, agreements, and permissions (each as amended to date). With respect to each item of Intellectual Property required to be identified on Schedule 3(m)(iv) of the Disclosure Schedules:

(A) the license, sublicense, agreement, or permission covering the item is legal, valid, binding, enforceable, and in full force and effect;

(B) the license, sublicense, agreement, or permission will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following consummation of the transactions contemplated hereby;

(C) no party to the license, sublicense, agreement, or permission is in breach or default, and no event has occurred that with notice or lapse of time would constitute a breach or default or permit termination, modification, or acceleration thereunder;

(D) no party to the license, sublicense, agreement, or permission has repudiated any provision thereof;

(E) with respect to each sublicense, the representations and warranties set forth in subsections (A) through (D) above are true and correct with respect to the underlying license;

(F) the underlying item of Intellectual Property is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge;

(G) no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, to the Knowledge of Sellers, is threatened that challenges the legality, validity, or enforceability of the underlying item of Intellectual Property, and there are no grounds for the same;

(H) Target has not granted any sublicense or similar right with respect to the license, sublicense, agreement, or permission; and

(I) the underlying item of Intellectual Property does not constitute open source, public source, or freeware Intellectual Property, or any modification or derivative work thereof, including any version of any software licensed pursuant to any GNU general public license or limited general public license, or other software that is licensed pursuant to a license that purports to require the distribution of, or access to, Source Code or purports to restrict a party's ability to charge for distribution or use of software, and was not used in, incorporated into, integrated or bundled with, any Intellectual Property that is, or was, incorporated in, or used in the development or compilation of, any Intellectual Property of Target.

(vi) Target has taken all necessary and desirable actions to maintain and protect all of the Intellectual Property of Target and will continue to maintain and protect all of the Intellectual Property of Target prior to Closing so as not to adversely affect the validity or enforceability thereof. The owners of any of the Intellectual Property licensed to Target has taken all necessary and desirable actions to maintain and protect the Intellectual Property covered by such license. Without limiting the foregoing, Target has required (A) each employee or consultant of Target with access to such Intellectual Property and each other Person with access to such Intellectual Property, as necessary, to execute a binding confidentiality agreement and (B) each employee to execute an agreement which includes provisions sufficient to ensure that Target becomes the owner of any Intellectual Property created by such employee within the scope of his or her employment, or in the case of a Person other than an employee from the services such Person performs for Target. Copies or forms of the agreement or agreements referred to in the preceding sentence have been made available to Buyer and, to the Knowledge of Sellers, there has not been a material breach of any such agreement.

(vii) Target has complied in all material respects with and is presently in compliance in all material respects with all foreign, federal, state, local, governmental, administrative, or regulatory laws, regulations, guidelines, and rules applicable to any Intellectual Property or to personal information and Sellers shall take all steps necessary to ensure such compliance until Closing.

(n) Sufficiency of Assets. The Acquired Assets include all of the assets and property of Target that are necessary to conduct Target's business as it is presently being conducted, and the Acquired Assets conveyed to Buyer on the Closing Date will be sufficient to enable Buyer to continue to conduct Target's business as it is presently being conducted. All of the Acquired Assets are free from material defects (patent and latent), have been maintained in accordance with GAAP and normal industry practice, are in good operating condition and repair (subject to normal wear and tear) and are suitable for the purposes for which it presently is used.

(o) Contracts. Schedule 3(o) of the Disclosure Schedules lists all contracts and other agreements (whether written or oral) to which Target is a party, which are in effect as of the date hereof and which are included in the Acquired Assets or otherwise material to Target's business. Target has delivered to Buyer a correct and complete copy of each written agreement, and a summary of the terms of each oral agreement, listed on Schedule 3(o) of the Disclosure Schedules. With respect to each such agreement: (A) the agreement is legal, valid, binding, enforceable, and in full force and effect, except as enforceability may be limited by bankruptcy, insolvency, liquidation, receivership, moratorium or other similar laws affecting the enforceability of the rights of creditors and general principles of equity, regardless of whether such enforcement is sought in a proceeding in equity or at law; (B) unless such agreement is an Excluded Asset, the agreement will continue to be legal, valid, binding, enforceable, and in full force and effect on the same terms following the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in §2), except as enforceability may be limited by bankruptcy, insolvency, liquidation, receivership, moratorium or other similar laws affecting the enforceability of the rights of creditors and general principles of equity, regardless of whether such enforcement is sought in a proceeding in equity or at law; (C) no party is in breach or default, and no event has occurred that with notice or lapse of time would constitute a breach or default, or permit termination, modification, or acceleration, under the agreement; and (D) no party has repudiated any provision of the agreement.

(p) Accounts Receivable; Accounts Payable and Accrued Expenses. (i) All accounts receivable of Target are reflected properly on its books and records, are valid receivables that arose in the Ordinary Course of Business subject to no setoffs or counterclaims and are current and collectible and will be collected in accordance with their terms at their recorded amounts, subject only to the reserve for bad debts set forth on the face of the Most Recent Balance Sheet (rather than in any notes thereto) as adjusted for the passage of time through the Closing Date in accordance with GAAP and the past custom and practice of Target.

(ii) All Accounts Payable and Accrued Expenses are reflected properly on Target's books and records, are valid payables or accrued expenses incurred in the Ordinary Course of Business and not subject to dispute and are not past due.

(q) Powers of Attorney. There are no outstanding powers of attorney executed on behalf of Target.

(r) Insurance. Except as set forth on Schedule 3(r) of the Disclosure Schedules, Target maintains no insurance policies with respect to its business, directors or officers.

(s) Litigation. Schedule 3(s) of the Disclosure Schedules sets forth each instance within the last five (5) years in which Target (i) was or is subject to any outstanding injunction, judgment, order, decree, ruling, or charge or (ii) was or is a party or, to the Knowledge of Sellers, is threatened in writing to be made a party to any action, suit, grievance, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator. To the Knowledge of Sellers, there is no reason to believe that any such action, suit, proceeding, hearing, or investigation may be brought or threatened against Target or that there is any basis for the foregoing.

(t) Product and Service Warranty. Each product produced, sold or delivered by, and each service rendered by, Target has been in conformity with all applicable contractual commitments and all express and implied warranties, and Target does not have any material Liability (and, to the Knowledge of Sellers, there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any of them giving rise to any Liability) for replacement or repair thereof, or provision of additional services in respect thereof, or other damages in connection therewith, subject only to warranty liabilities. Schedule 3(t) of the Disclosure Schedules includes copies of the standard terms and conditions of sale for Target (containing applicable guaranty, warranty, and indemnity provisions). No product produced, sold or delivered by, or service rendered by, Target is subject to any guaranty, warranty, or other indemnity beyond the applicable standard terms and conditions of sale or lease set forth on Schedule 3(t) of the Disclosure Schedules.

(u) Product and Service Liability. Target does not have any material Liability (and, to the Knowledge of Sellers, there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any of them giving rise to any material Liability) arising out of any injury to individuals or property as a result of the ownership, possession, or use of any product produced, sold or delivered by, or service rendered by, Target.

(v) Employees.

(i) With respect to the business of Target, except as set forth on Schedule 3(v)(i) of the Disclosure Schedules:

(A) there is no employment-related charge, complaint, grievance, investigation, inquiry, citation, audit or obligation of any kind, pending or, to the Knowledge of Sellers, threatened, in any forum, relating to an alleged violation or breach by Target (or its officers, directors or employees, including, without limitation, employees leased by Target) of any law, regulation, or contract; and

(B) to the Knowledge of Sellers, no employee or agent of Target (including, without limitation, employees leased by Target) has committed any act or omission giving rise, or which could give rise, to material liability for any violation or breach identified in subsection (A).

(ii) Except as set forth on Schedule 3(v)(ii) of the Disclosure Schedules, (A) there are no employment contracts or severance agreements with any employees of Target (including, without limitation, any employees leased by Target), and (B) there are no written personnel policies, rules, or procedures applicable to employees of Target (including, without limitation, any employees leased by Target).

(iii) With respect to this transaction, any notice required under any law has been given.

(w) Employee Benefits.

(i) Except as set forth on Schedule 3(w) of the Disclosure Schedules, neither Target nor any ERISA Affiliate maintains or contributes to, nor has it maintained or contributed to, any "employee pension benefit plans" as defined in Section 3(2) of ERISA, "employee welfare benefit plan" as defined in Section 3(l) of ERISA, or stock bonus, stock option, restricted stock, stock appreciation right, stock purchase, bonus, incentive, deferred compensation, severance, or vacation plans, or any other employee benefit plan, program, policy or arrangement maintained or contributed to by Seller or any of its ERISA Affiliates or to which Seller or any of its ERISA Affiliates, contributes or is obligated to make payments thereunder or otherwise may have any liability (collectively, the " Employee Benefit Plans").

(ii) Neither Target nor any of its ERISA Affiliates have any liability (including any contingent liability under Section 4204 of ERISA) with respect to any multiemployer plan defined as such in Section 3(37) of ERISA to which contributions are or have been made by Target or any of its ERISA Affiliates or as to which Target or any of its ERISA Affiliates may have liability and that is covered by Title IV of ERISA ("Multiemployer Plan") covering employees (or former employees) employed in the United States.

(iii) None of the "welfare benefit plans" as defined in Section 3(l) of ERISA maintained by Target provide for continuing benefits or coverage for any participant or any beneficiary of a participant following termination of employment, except as may be required under COBRA and except for severance obligations of Target, or except at the expense of the participant or the participant's beneficiary.

(iv) Each Employee Benefit Plan identified on Schedule 3(w) of the Disclosure Schedules (and each related trust, insurance contract, or fund) has been maintained, funded and administered in all material respects in accordance with the terms of such Employee Benefit Plan, all applicable laws, rules and regulations, including without limitation, the rules and regulations promulgated by the Department of Labor, PBGC, and the United States Treasury, and complies in form and in operation in all material respects with the applicable requirements of ERISA, the Code, and other applicable laws.

(v) The consummation of the transactions contemplated hereby will not result in an increase in the amount of compensation or benefits or accelerate the vesting or timing of payment of any benefits or compensation payable to or in respect of any individual and there is no amount payable to any Person on account of the transactions except as otherwise provided herein and except for any such increase, acceleration or compensation that will not become a liability of Buyer after the Closing.

(x) <u>Guaranties</u>. Target is not a guarantor or otherwise liable for any Liability (including indebtedness) of any other Person.

(y) <u>Environmental, Health and Safety Matters</u>.

(i) Target and its Affiliates have complied and are in compliance, in each case in all material respects, with all Environmental, Health and Safety Requirements in respect of the Acquired Assets and Target's operation of its business.

(ii) Neither Target nor any of its Affiliates has received any written or oral notice, report or other information regarding any actual or alleged violation of Environmental, Health and Safety Requirements or any Liabilities, including any material investigatory, remedial or corrective obligations, relating to any of them, arising under Environmental, Health and Safety Requirements.

(z) <u>Certain Business Relationships With Target</u>. None of any Seller (other than Target) nor any of Sellers' Affiliates, nor any of their respective managers, directors, officers, stockholders, independent contractors and employees, has been involved in any material business arrangement or relationship with Target within the past twelve (12) months, and none of the foregoing owns any material asset, tangible or intangible, that is used in the business of Target. None of any Seller (other than Target) nor any of Sellers' Affiliates, nor any of their respective managers, directors, officers, stockholders, independent contractors and employees, owns any asset, tangible or intangible, that is used in the business of Target not included in the Acquired Assets. Without limiting the foregoing, no transaction between or among Target and any of its Affiliates is included in the Financial Statements.

(aa) Customers and Suppliers.

(i) Schedule 3(aa) of the Disclosure Schedules lists (A) the ten (10) largest customers of Target for the most recent fiscal year and sets forth opposite the name of each such customer the dollar amount and percentage of consolidated net sales attributable to such customer; and (B) all customers/clients of Target with respect to whom Target has not fully satisfied its performance obligations.

(ii) No material supplier of Target has indicated that it intends to or shall stop, or materially decrease the rate of, supplying products or services to Target (whether as a result of the consummation of the transactions contemplated hereby or otherwise), and no customer listed on Schedule 3(aa) of the Disclosure Schedules has indicated that it intends to or will stop, materially decrease the rate of, or change the terms (whether related to payment, price or otherwise) with respect to buying materials, products or services from Target (whether as a result of the consummation of the transactions contemplated hereby or otherwise). To the Knowledge of Sellers, there is no basis or any reason to believe that any of the foregoing shall occur.

(bb) Customer Data. Target does not perform any functions on behalf or for the benefit of its customers in respect of the collection, storage or maintenance of any of its customer's equipment, data, records or other information that would, to the extent it experienced any failure or slowdown or became unavailable for any amount of time, could cause a material disruption or interruption in or to the business or operations of such customers.

(cc) Computer and Technology Security. Target has taken reasonable steps to safeguard the information technology systems utilized in the operation of the business of Target, including the implementation of procedures to ensure that such information technology systems are free from any disabling codes or instructions, timer, copy protection device, clock, counter or other limiting design or routing and any "back door," "time bomb," "Trojan horse," "worm," "drop dead device," "virus," or other software routines or hardware components that in each case permit unauthorized access or the unauthorized disablement or unauthorized erasure of data or other software by a third party, and, to the Knowledge of Sellers, to date there have been no successful unauthorized intrusions or breaches of the security of the information technology systems except as listed on Schedule 3(cc) of the Disclosure Schedules.

(dd) Data Privacy. Target's business has materially complied with and, as presently conducted, is in material compliance with, all Data Laws. Target has materially complied with, and is presently in material compliance with, its policies applicable to data privacy, data security, and/or personal information. Except as set forth on Schedule 3(dd) of the Disclosure Schedules, Target has not experienced any incident in which personal information or other sensitive data was or may have been stolen or improperly accessed, and Target is not aware of any facts suggesting the likelihood of the foregoing, including without limitation, any breach of security or receipt of any notices or complaints from any Person regarding personal information or other data.

(ee) Disclosure. The representations and warranties contained in this §3 do not contain any untrue statement of a fact or omit to state any fact necessary in order to make the statements and information contained in this §3 not misleading. Sellers know of no facts that are material to the operation of Target's business or Buyer's understanding of the risks inherent in the Target's business or its operation that have not been disclosed to Buyer.

§4. Buyer's Representations and Warranties. Buyer represents and warrants to Target that the statements contained in this §4 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this §4), except as set forth in the Disclosure Schedule. The Disclosure Schedule will be arranged in sections corresponding to the lettered and numbered sections contained in this §4.

(a) Organization of Buyer. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Authorization of Transaction. Buyer has corporate power and authority to enter into this Agreement, to consummate the transactions contemplated hereby and to comply with the terms, conditions and provisions hereof. The execution, delivery and performance of this Agreement by Buyer, including, without limitation, the deliveries and other agreements of Buyer contemplated hereby, have been duly authorized and approved Buyer. This Agreement is, and each other agreement or instrument of Buyer contemplated hereby will be, the legal, valid and binding agreement of Buyer, enforceable in accordance with its terms.

(c) Non-contravention. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in §2), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Buyer is subject or any provision of its certificate of incorporation or bylaws, or other governing documents or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Buyer is a party or by which it is bound or to which any of its assets are subject, except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice, or Lien would not have a Material Adverse Effect. Buyer does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement (including the assignments and assumptions referred to in §2), except where the failure to give notice, to file, or to obtain any authorization, consent, or approval would not have a Material Adverse Effect.

(d) Brokers' Fees. Buyer has no Liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Target could become liable or obligated.

§ 5 . Post-Closing Agreements From and after the Closing, the Parties shall have the respective rights and obligations which are set forth in this §5.

(a) Inspection of Records. Target, Buyer and their respective Affiliates shall each retain (which retention may be in electronic format) and make their respective books and records (including work papers in the possession of their respective accountants) available for inspection by the other Party, or by its duly accredited representatives, for reasonable business purposes at all reasonable times during normal business hours, for a seven (7) year period after the Closing Date, with respect to all transactions of Target occurring prior to and those relating to the Closing, and the historical financial condition, assets, liabilities, operations and cash flows of Target. In the case of records owned by Target or any of its Affiliates, such records shall be made available at Target's executive office, and in the case of records owned by Buyer, such records shall be made available at Buyer's executive office. As used in this subsection, the right of inspection includes the right to make extracts or copies. The representatives of a Party inspecting the records of the other Party shall be reasonably satisfactory to the other Party.

(b) Payroll Taxes and Payroll Records. Target and Buyer agree that if the Closing shall have occurred, Buyer may employ certain individuals who immediately before the Closing Date were employed by Target. Target shall, however, furnish a Form W-2 to each employee employed by Target disclosing all wages and other compensation paid through the Closing Date, and taxes withheld therefrom, and Buyer shall furnish a Form W-2 to each employee employed by Buyer who had been employed by Target disclosing all wages and other compensation paid for the balance of the calendar year in which the Closing Date occurs, and taxes withheld therefrom.

(c) Certain Assignments. Target will use its best efforts to obtain any third-party consents required in connection with the sale and assignment of the Acquired Assets and the consummation of the transactions required herein, including, without limitation, those referred to in §3(c). Any other provision of this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to transfer or assign, or a transfer or assignment of, any agreement, claim, commitment, contract, lease, license, permit, sales order or purchase order, or any benefit arising thereunder or resulting therefrom, if an attempt at transfer or assignment thereof without the consent required or necessary for such assignment, would constitute a breach thereof or in any way adversely affect the rights of Buyer or Target thereunder. If (i) the required consent to any such transfer or assignment is not obtained, (ii) an attempted transfer or assignment would be ineffective or would adversely affect the rights of Buyer or Target thereunder so that Buyer would not receive substantially all of such rights, (iii) any such agreement or contract is assigned to Buyer pursuant to the provisions hereof and the other contracting party thereafter raises objections to the assignment and refuses to allow Buyer to perform the contract on the terms therein provided, or threatens to terminate the contract or sue for damages, or (iv) a surety company issuing a bond to Target objects to the completion of a sales order or contract included among the Acquired Assets by Buyer, then Buyer and Target shall cooperate in any arrangement Buyer may reasonably request to provide for Buyer the benefits under such agreement or contract. Such cooperation may include, without limitation, and at Buyer's request shall include, an arrangement to be entered into between Buyer and Target pursuant to which Target shall nominally perform an order or contract, Buyer shall retain the economic benefits or detriments of the order or contract and Target shall perform the order or contract with employees seconded to Target by Buyer (which employees shall be treated as employees of Target during the period of performance) and with inventory, equipment and supplies of Buyer necessary to complete the order or contract transferred from Buyer to Target as required. Nothing contained in this subsection shall be construed as a waiver of any closing condition, nor shall it limit the Liability, if any, of Target pursuant to this Agreement for failing to have disclosed the need for, or failing to have obtained, any consent referred to herein.

(d) Employees. Buyer shall not be obligated to offer employment to any employee of Target; provided that Buyer shall have the right to employ employees of Target as of the Closing Date, on terms and conditions established by Buyer in its sole discretion.

(e) Accounts Receivable. In the event any Seller shall receive any instrument of payment of any of the accounts receivable included in the Acquired Assets, such Seller shall promptly deliver it to Buyer, endorsed where necessary, without recourse, in favor of Buyer. Similarly, in the event Buyer shall receive any instrument of payment of any Excluded Assets, Buyer shall promptly deliver it to Target, endorsed where necessary, without recourse, in favor of Target.

(f) Covenant Not to Compete. As an inducement for Buyer to enter into this Agreement, Target and Target Stockholder each agree that:

(i) with respect to Target, from and after the Closing and continuing for the lesser of five (5) years from the Closing Date or the longest time permitted by applicable law, and, with respect to Target Stockholder, from and after the Closing and continuing for the lesser of two (2) years from the Closing Date or the longest time permitted by applicable law, such Seller shall not do any one or more of the following, directly or indirectly, as an owner, member, partner, shareholder, consultant or (without limitation by the specific enumeration of the foregoing) otherwise:

(A) engage or participate in any business which is competitive with the business of Target, as conducted on the Closing Date or as about to or proposed to be conducted on the Closing Date;

(B) solicit, induce, advise, request or influence any employee, customer, prospective customer, sales representative, supplier, vendor, service provider or any other Person to discontinue, reduce the extent of, discourage the development of or otherwise adversely affect such relationship with Buyer with respect to Target;

(C) canvass, solicit, promote or sell any product or service which competes with any of Target's products or services to any customer or prospective customer of Buyer with respect to Target. For purposes of this §5(f), "customer" means any Person which is or was a customer of Target (or its predecessor) during the twenty-four (24) months preceding the Closing Date. "Prospective customer" means any Person with which any employee of Target (including, without limitation, employees leased by Target) has had contact on behalf of Target during the twenty-four (24) months preceding the Closing date;

(D) (1) recruit, solicit or otherwise induce or influence any employee, consultant, sales representative, independent contractor or agent or other personnel of Buyer (including, without limitation, any such Person employed by Target prior to the Closing) to discontinue or otherwise terminate such relationship with Buyer or (2) employ, seek to employ or cause any competitive business (within the meaning of subsection (A)) to employ or seek to employ as an employee, consultant, sales representative, independent contractor or agent, any Person who is then (or was at any time within the preceding twelve (12) months) an employee, consultant, sales representative, independent contractor, agent or other personnel of Buyer (including, without limitation, any such Person employed by Target prior to the Closing); or

(E) take any other action that would interfere with or adversely impact Buyer in the operation of the business as conducted by Target prior to the Closing Date or as anticipated to be conducted by Buyer.

(ii) in the event of any breach of subsection (i) the time period of the breached covenant shall be extended for the period of such breach. Sellers recognize that the territorial, time and scope limitations set forth in this subsection are reasonable and are required for the protection of Buyer and in the event that any such territorial, time or scope limitation is deemed to be unreasonable by a court of competent jurisdiction, Buyer and Sellers agree to the reduction of either or any of said territorial, time or scope limitations to such an area, period or scope as said court shall deem reasonable under the circumstances.

(g) Disclosure of Confidential Information. As a further inducement for Buyer to enter into this Agreement, Sellers agree that for the longest period permitted by law after the Closing Date, Sellers shall, and shall cause their Affiliates to, hold in strictest confidence, and not, without the prior written approval of Buyer, use for their own benefit or the benefit of any party other than Buyer or disclose to any person, firm or corporation other than Buyer (other than as required by law) any Confidential Information.

(h) Injunctive Relief. Sellers specifically recognize that any breach of subsections (f) or (g) will cause irreparable injury to Buyer and that actual damages may be difficult to ascertain, and in any event, may be inadequate. Accordingly (and without limiting the availability of legal or equitable, including injunctive, remedies under any other provisions of this Agreement), Sellers agree that in the event of any such breach, Buyer shall be entitled to injunctive relief in addition to such other legal and equitable remedies that may be available. Further, in the event that Sellers have been found to have violated any of the terms of subsections (g) or (h), either after a preliminary injunction hearing or a trial on the merits, Sellers shall pay to Buyer its costs and expenses, including reasonable attorneys' fees, in enforcing the terms thereof.

(i) Tax Clearance Certificates. Buyer and Target shall cooperate in preparing and filing with the appropriate governmental authorities such forms as may be required in order to obtain a tax clearance certificate or other document absolving Buyer from any responsibility or liability for Target's income, sales and use taxes. Sellers hereby agree jointly and severally to indemnify and save and hold harmless Buyer and its officers, directors, managers, partners, stockholders, employees, agents, representatives, Affiliates, successors and assigns from and against any and all Adverse Consequences arising out of or resulting from the failure to comply with the bulk sales laws of the State of Pennsylvania, the State of Illinois or such other state as to which such act or equivalent act applies or may apply to the transactions contemplated by this Agreement.

(j) Domain

(a) Purchase Option. For ten (10) years following the Closing, Buyer shall have the option, exercisable at any time in its sole discretion, to purchase all of Target's right, title and interest in and to the Domain and the Domain IP upon written notice to Target or Target Stockholder and payment of one dollar ($1.00) (the " Purchase Option"). Any purchase agreement necessary to effect the Purchase Option shall be in form and substance satisfactory to the Parties. Target and/or Target Stockholder agrees to assist Buyer is securing and recording the transfer of the Domain and the Domain IP. The transactions contemplated by the Purchase Option shall close within ten (10) days of Target's or Target Stockholder's receipt of such notice.

(b) Domain Maintenance. Target and Target Stockholder each agree and covenant, until the closing of the transactions contemplated by the Purchase Option, to (i) maintain exclusive right, title and interest to the Domain and the Domain IP, (ii) maintain registration with respect to the Domain in full force and effect at their expense, and (iii) not to transaction business or display any content on the Domain website (except for a blank web page or the standard temporary web page provided by the Domain's website's host, if any).

(k) Further Assurances. The Parties shall execute such further documents, and perform such further acts, as may be necessary to transfer and convey the Acquired Assets to Buyer, on the terms herein contained, and to otherwise comply with the terms of this Agreement and consummate the transaction contemplated hereby.

§6. Indemnification.

(a) Survival of Representations and Warranties. All of the representations and warranties of Sellers contained in §§3(a)-(f), and all of the representations and warranties of Buyer contained in §§4(a)-(d), shall survive the Closing (in each case even if the damaged Party or Parties knew or had reason to know of any misrepresentation or breach of warranty at the time of Closing) and continue in full force and effect indefinitely. The representations and warranties of Sellers contained in §§3(j), (k), (m), (w) and (y) shall survive the Closing (in each case even if the damaged Party or Parties knew or had reason to know of any misrepresentation or breach of warranty at the time of Closing) and continue in full force and effect until the expiration of any applicable statutes of limitations (after giving effect to any extensions of waivers) plus sixty (60) days. All of the other representations and warranties of Sellers and Buyer contained herein shall survive the Closing (in each case even if the damaged Party or Parties knew or had reason to know of any misrepresentation or breach of warranty at the time of Closing) and continue in full force and effect until the two (2) year anniversary of the Closing Date.

(b) Indemnification Provisions for Buyer's Benefit.

(i) In the event a Seller breaches (or in the event any third party alleges facts that, if true, would mean a Seller has breached) any of its representations, warranties, and covenants contained in this Agreement (determined without regard to any limitations or qualifications by materiality), or if any of the statements in §3 are untrue (or in the event any third party alleges facts that, if true, would mean that such statements are untrue), and provided that Buyer makes a written claim for indemnification against Sellers pursuant to §7(f), then Target shall be obligated to indemnify Buyer and its officers, directors, managers, partners, stockholders, employees, agents, representatives, Affiliates, successors and assigns (each a "Buyer Indemnitee"), from and against the entirety of any Adverse Consequences such Buyer Indemnitee suffers (including any Adverse Consequences such Buyer Indemnitee suffers after the end of any applicable survival period) resulting from, arising out of, relating to, in the nature of, or caused by the breach (or the alleged breach) or the untruth (or alleged untruth).

(ii) Target shall be obligated to indemnify each Buyer Indemnitee from and against the entirety of any Adverse Consequences such Buyer Indemnitee may suffer resulting from, arising out of, relating to, in the nature of, or caused by (A) any Excluded Liability that becomes a Liability of such Buyer Indemnitee (including under any bulk transfer law of any jurisdiction, under any common law doctrine of de facto merger or successor liability, under Environmental, Health, and Safety Requirements, or otherwise by operation of law) or (B) the operation of Target's business or the use of the Acquired Assets prior to or on the Closing Date, including, without limitation, Adverse Consequences resulting from the termination by Buyer of any employee hired by Buyer after the Closing.

(c) Indemnification Provisions for Target's Benefit.

(i) In the event Buyer breaches any of its representations, warranties, and covenants contained in this Agreement, and provided that Target makes a written claim for indemnification against Buyer pursuant to §7(f), then Buyer shall be obligated to indemnify Target from and against the entirety of any Adverse Consequences Target suffers (including any Adverse Consequences Target suffers after the end of any applicable survival period) resulting from, arising out of, relating to, in the nature of, or caused by the breach (or the alleged breach).

(ii) Buyer agrees to indemnify Target from and against the entirety of any Adverse Consequences suffered resulting from, arising out of, relating to, in the nature of, or caused by any Assumed Liability.

(d) Matters Involving Third Parties.

(i) If any third party notifies any Party entitled to indemnification hereunder (the "Indemnified Party") with respect to any matter (a "Third-Party Claim") that may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this §6, then the Indemnified Party shall promptly notify each Indemnifying Party thereof in writing; provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party is thereby prejudiced.

(ii) Any Indemnifying Party shall have the right to defend the Indemnified Party against the Third-Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (A) the Indemnifying Party notifies the Indemnified Party in writing within fifteen (15) days after the Indemnified Party has given notice of the Third-Party Claim that the Indemnifying Party shall indemnify the Indemnified Party from and against the entirety of any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third-Party Claim, (B) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Third-Party Claim and fulfill its indemnification obligations hereunder, (C) the Third-Party Claim involves only money damages and does not seek an injunction or other equitable relief, (D) settlement of, or an adverse judgment with respect to, the Third-Party Claim is not, in the good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice materially adverse to the continuing business interests or the reputation of the Indemnified Party, and (E) the Indemnifying Party conducts the defense of the Third-Party Claim actively and diligently.

(iii) So long as the Indemnifying Party is conducting the defense of the Third-Party Claim in accordance with §6(d)(ii), (A) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third-Party Claim, (B) the Indemnified Party shall not consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnifying Party (not to be unreasonably withheld), and (C) the Indemnifying Party shall not consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld).

(iv) In the event any of the conditions in §6(d)(ii) is or becomes unsatisfied, however, (A) the Indemnified Party may defend against, and consent to the entry of any judgment on or enter into any settlement with respect to, the Third-Party Claim in any manner it may reasonably deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, any Indemnifying Party in connection therewith), (B) the Indemnifying Parties shall reimburse the Indemnified Party promptly and periodically for the costs of defending against the Third-Party Claim (including reasonable attorneys' fees and expenses), and (C) the Indemnifying Parties shall remain responsible for any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third-Party Claim to the fullest extent provided in this §6.

(e) Determination of Adverse Consequences. All indemnification payments under this §6 shall be deemed adjustments to the Purchase Price.

(f) Limitations. Target shall not be obligated to indemnify Buyer hereunder from and against Adverse Consequences resulting from, arising out of, or caused by breaches of the representations and warranties of Sellers contained in this Agreement (other than §§3(a)-(d)) to the extent that the aggregate amount of such Adverse Consequences suffered by Buyer exceeds $400,000 (the "Target's Indemnification Cap"); provided, however, that the Target's Indemnification Cap shall not apply to any indemnification obligation of Target arising out of, relating to or resulting from fraud, intentional misconduct, gross negligence, willful infringement of third party Intellectual Property rights or intentional misrepresentation by any Seller.

(g) Right of Setoff. Buyer shall have the right, at its election, to offset any amounts due from a Seller to Buyer against any amounts owed by Buyer to a Seller.

(h) Other Indemnification Provisions. The foregoing indemnification provisions are in addition to, and not in derogation of, any statutory, equitable, or common law remedy (including without limitation any such remedy arising under Environmental, Health, and Safety Requirements) any Party may have with respect to Target or the transactions contemplated by this Agreement.

§7. Miscellaneous.

(a) No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(b) Entire Agreement. This Agreement (including the documents referred to herein and all schedules and exhibits hereto) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

(c) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party; provided, however, that Buyer may without the consent of Sellers (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (ii) designate one or more of its Affiliates to perform its obligations hereunder.

(d) Counterparts. This Agreement may be executed in one or more counterparts (including by means of facsimile or electronic transmission in portable document format), each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(e) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given (i) when delivered personally to the recipient, (ii) one (1) business day after being sent to the recipient by reputable overnight courier service (charges prepaid), (iii) one (1) business day after being sent to the recipient by facsimile transmission or electronic mail, or (iv) three (3) business days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to Target: Careerimp, Inc.
801 W. Adams Street
Suite 600
Chicago, Illinois 60607
Attn: Ayan Kishore

with copy to: Lowenstein Sandler LLP
390 Lytton Avenue
Palo Alto, CA 94301
Attn: Matt Kirmayer

If to Buyer: Professional Diversity Network, Inc.
801 W. Adams Street
Suite 600
Chicago, Illinois 60607
Attn: James Kirsch

with copy to: Patzik, Frank & Samotny Ltd.
150 South Wacker Drive
Suite 1500
Chicago, Illinois 60606
Attn: Chadwick I. Buttell, Esq.

Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(g) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Illinois without giving effect to any choice or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Illinois.

(h) Attorneys' Fees. The prevailing parties in any litigation in connection with this Agreement shall be entitled to recover from the non-prevailing parties all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by the prevailing parties in connection with any such litigation.

(i) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Buyer and Sellers. No waiver by any Party of any provision of this Agreement or any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such default, misrepresentation, or breach of warranty or covenant.

(j) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(k) Expenses. Buyer and each Seller will bear their own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. Without limiting the generality of the foregoing, all transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement shall be paid by Target when due, and Target will, at its own expense, file all necessary Tax Returns and other documentation with respect to all such Taxes, fees and charges, and, if required by applicable law, the Parties will, and will cause their respective Affiliates to, join in the execution of any such Tax Returns and other documentation.

(l) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation. Nothing in the Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein unless the Disclosure Schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be deemed adequate to disclose an exception to a representation or warranty made herein (unless the representation or warranty has to do with the existence of the document or other item itself). The Parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any Party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) that the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty, or covenant.

(m) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(n) Specific Performance. Each Party acknowledges and agrees that the other Party would be damaged irreparably in the event any provision of this Agreement is not performed in accordance with its specific terms or otherwise is breached, so that a Party shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in addition to any other remedy to which such Party may be entitled, at law or in equity. In particular, the Parties acknowledge that the business of Target is unique and recognize and affirm that in the event any Seller breaches this Agreement, money damages would be inadequate and Buyer would have no adequate remedy at law, so that Buyer shall have the right, in addition to any other rights and remedies existing in its favor, to enforce its rights and the other Parties' obligations hereunder not only by action for damages but also by action for specific performance, injunctive, and/or other equitable relief.

(o) Submission to Jurisdiction. Each of the Parties submits to the non-exclusive jurisdiction of any state or federal court sitting in Chicago, Illinois, in any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceeding may be heard and determined in any such court. Each of the Parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other Party with respect thereto. Nothing in this §7(o), however, shall affect the right of any Party to bring any action or proceeding arising out of or relating to this Agreement in any other court. Each Party agrees that a final judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law or in equity.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have executed this Asset Purchase Agreement on the date first above written.

BUYER:

PROFESSIONAL DIVERSITY NETWORK, INC.

By: /s/ James R. Kirsch
Name: James R. Kirsch
Its: CEO

TARGET:

CAREERIMP, INC.

By: /s/ Ayan Kishore
Name: Ayan Kishore
Its: CEO

TARGET STOCKHOLDER:

____
Ayan Kishore

[*Signature Page to Asset Purchase Agreement*]

Exhibit 10.17

EXECUTION VERSION

ASSET PURCHASE AGREEMENT

AMONG

PROFESSIONAL DIVERSITY NETWORK, INC.
a Delaware corporation,

AND

PERSONNEL STRATEGIES INC.,
a Minnesota corporation,

AND

THE OTHER PARTIES HERETO

September 18, 2013

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is entered into as of September 18, 2013, by and among PERSONNEL STRATEGIES INC., a Minnesota corporation ("Target"), each of the stockholders of Target listed on the signature page hereto (each a "Target Stockholder" and, collectively, jointly and severally with Target, "Sellers"), and PROFESSIONAL DIVERSITY NETWORK, INC., a Delaware corporation ("Buyer"). Buyer and Sellers are each individually referred to herein as a "Party" and collectively as the "Parties."

RECITALS:

A. Target engages in the business of, among other things, producing career fairs for jobseekers and employers.

B. Target desires to contribute, sell, assign, convey and transfer to Buyer substantially all of its assets and certain of its liabilities, and as consideration therefore Buyer desires to pay to Target the cash consideration and assume certain of Target's liabilities, all on the terms and subject to the conditions contained in this Agreement.

C. Target Shareholders owns 100% of the outstanding shares of capital stock of Target.

Now, therefore, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows.

AGREEMENTS

§1. Definitions.

"Accounts Payable" means trade accounts payable of Target as of the Effective Date, but only to the extent incurred in the Ordinary Course of Business and included on Schedule 1(a).

"Accrued Expenses" means accrued and unpaid expenses of Target as of the Effective Date, but only to the extent incurred in the Ordinary Course of Business and included on Schedule 1(b), but specifically excluding (x) Liabilities for salaries, wages, bonuses (except for sales commissions included in Assumed Liabilities and accrued rights for vacation and sick pay of those of Target's employees who are employed by Target immediately prior to the Closing and by Buyer immediately after the Closing), and other compensation and related payroll Tax Liabilities and (y) Liabilities for Taxes.

"Acquired Assets" means all right, title, and interest in and to all of the assets of Target other than Excluded Assets, including, without limitation, all of its (a) Cash in an amount up to $25,000, less deposits (including facility deposits but excluding customer deposits) and prepaid expenses (other than sales commissions paid from customer deposits) relating to job fairs to occur after the Closing; (b) accounts, notes and other receivables other than the Excluded Accounts Receivable; (c) rights in connection with deposits (including customer deposits relating to performance following the Closing Date, net of applicable sales commissions paid by Target), prepayments, prepaid expenses and refunds; (d) tangible personal property, furniture, fixtures and equipment; (e) all of Target's Intellectual Property, goodwill associated therewith, licenses and sublicenses granted and obtained with respect thereto, and rights thereunder, remedies against infringements thereof (including the right to sue and recover for prior infringements), and rights to protection of interests therein under the laws of all jurisdictions; (f) agreements and contracts (including, purchase orders, quotations, bids and sales orders, other similar arrangements, and rights thereunder), including those agreements and contracts set forth on Schedule 1 (c), but specifically excluding the Lease; (g) those insurance policies (and rights thereunder) which do not constitute Excluded Assets, if any; (h) claims (and benefits to the extent they arise therefrom) with respect to insurance policies (regardless of whether such insurance policies constitute Excluded Assets) to the extent such claims relate in any way to the Acquired Assets or Assumed Liabilities; (i) claims, causes of action, choses in action, rights of recovery, rights of set-off, and rights of recoupment; (j) franchises, approvals, permits, licenses, orders, registrations, certificates, variances, and similar rights obtained from governments and governmental agencies; (k) copies of books, records, ledgers, files, documents, correspondence, lists, plats, architectural plans, drawings, and specifications, creative materials, advertising and promotional materials, studies, reports, and other printed or written materials; and (l) all of the goodwill associated with Target's business.

"Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and reasonable attorneys' fees and expenses.

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act of 1934, as amended.

"Affiliated Group" means any affiliated group within the meaning of Code §1504(a) or any similar group defined under a similar provision of state, local, or foreign law.

"Agreement" has the meaning set forth in the preface.

"Assumed Liabilities" means (a) Accounts Payable; (b) Accrued Expenses; (c) all obligations of Target for sales commissions payable, but only to the extent referred to and included in the definition of Acquired Assets and relating to performance following the Closing Date; and (d) all obligations of Target under the agreements, contracts, leases, licenses, and other arrangements entered into in the Ordinary Course of Business which are assigned to Buyer pursuant to this Agreement, but only to the extent referred to and included in the definition of Acquired Assets and included on Schedule 1(e), either (i) to furnish goods, services, and other non-Cash benefits to another party after the Closing or (ii) to pay for goods, services, and other non-Cash benefits that another party will furnish to it after the Effective Date.

"Buyer" has the meaning set forth in the preface.

"Buyer Indemnitee" has the meaning set forth in §6(b).

"Cash" means cash and cash equivalents (including marketable securities and short-term investments) calculated in accordance with GAAP applied on a basis consistent with the preparation of the Financial Statements.

"Cause" means, as determined by the Company in its reasonable discretion, the occurrence of any one of the following on the part of Hall: (i) conviction of or a plea of nolo contendre to a felony or an act of moral turpitude which interferes with the performance of his duties and responsibilities as an employee of Buyer or affects or reflects on Buyer in a negative manner; (ii) attempted or actual theft, fraud or embezzlement of money or tangible or intangible assets or property of Buyer or its employees or customers, suppliers or vendors; (iii) gross negligence or willful misconduct in respect of the performance of his duties and responsibilities as an employee of Buyer; (iv) breach of his fiduciary duties as an officer of Buyer; (v) his willful failure to perform his duties and responsibilities within the scope of his employment (other as a result of his death or disability), which such failure continues or is repeated following fifteen (15) days' written notice from Buyer thereof; (vi) violation of any lawful express direction from the board of directors of Buyer or any officer of Buyer to whom he reports, relating to his duties and responsibilities within the scope of his employment with Buyer, which such violation (if susceptible to cure) continues or is repeated following fifteen (15) days' written notice from Buyer thereof; (vi) breach of §5(f) or (g) of this Agreement, or of any material term, covenant, representation or warranty contained in any other agreement between Buyer and Hall, which such breach (if susceptible to cure) remains uncured or is repeated following fifteen (15) days' written notice from Buyer thereof.

“Closing” has the meaning set forth in §2(d).

“Closing Cash Payment” means $200,000.

“Closing Date” has the meaning set forth in §2(d).

“Closing Date Cash Balance” means the amount of Target’s Cash as of the Closing.

“COBRA” means the requirements of Part 6 of Subtitle B of Title I of ERISA and Code §4980B and of any similar state law.

“Code” means the Internal Revenue Code of 1986, as amended.

“Confidential Information” means any confidential or proprietary information concerning the business and affairs of Target.

“Data Laws” means laws, regulations, guidelines, and rules in any jurisdiction (federal, state, provincial, or local) applicable to data privacy, data security, and/or personal information, as well as industry standards applicable to Target.

“Disclosure Schedule” has the meaning set forth in §3.

“Dissolved Subsidiary” means Personnel Strategies, LLC, a Minnesota limited liability company, which was dissolved effective December 31, 2003.

“Earn Out Amount” has the meaning set forth in §2(f)(ii).

“Earn Out Period” has the meaning set forth in §2(f)(ii).

“Effective Date” means September 18, 2013.

“Employee Benefit Plan” means any “employee benefit plan” (as such term is defined in ERISA §3(3)) and any executive compensation, bonus, stock purchase, stock option, severance plan, salary continuation, vacation, sick leave, fringe benefit, incentive, insurance arrangement, or similar material plan or arrangement for one or more employees which is not subject to ERISA.

“Employee Pension Benefit Plan” has the meaning set forth in ERISA §3(2).

“Employee Welfare Benefit Plan” has the meaning set forth in ERISA §3(1).

“Environmental, Health, and Safety Requirements” shall mean, as amended and as now and hereafter in effect, all federal, state, local, and foreign statutes, regulations, ordinances, and other provisions having the force or effect of law, all judicial and administrative orders and determinations, all contractual obligations, and all common law concerning public health and safety, worker health and safety, pollution, or protection of the environment, including, without limitation, all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous materials, substances, or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise, or radiation.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means each entity that is treated as a single employer with Target for purposes of Code §414.

“Excluded Accounts Receivable” means accounts receivable for (a) job fairs that occur and in respect of which Target’s services are fully performed prior to the Closing Date and (b) on-line job board sales invoiced in the Ordinary Course of Business prior to the Effective Date and in respect of which Target’s fulfillment obligations do not exceed twelve (12) months beyond Closing.

“Excluded Assets” means (a) Cash in excess of $25,000 and Target’s bank accounts; (b) Excluded Accounts Receivable; (c) rights arising from deposits and prepaid expenses, if any, with respect to Excluded Assets; (d) insurance policies of Target in effect as of the Closing Date and rights in connection therewith (including, without limitation, insurance policies that constitute Employee Welfare Benefit Plans), subject to subsection (h) of the definition of “Acquired Assets” and unless prior to the Closing, Buyer elects, by written notice delivered to Target prior to the Closing Date, to accept assignments of any of such insurance policies; (e) rights arising from any refunds due with respect to insurance premium payments to the extent they relate to insurance policies which constitute Excluded Assets; (f) rights in and with respect to assets associated with Employee Benefit, Employee Pension Benefit Plans or Employee Welfare Benefit Plans; (g) judgments, claims (and benefits to the extent they arise therefrom) and litigation against third parties to the extent such claims and litigation are not in any way related to the Acquired Assets or Assumed Liabilities; (h) rights to the refund of any income tax, of any kind, paid by Target or any Target Stockholder prior to the Closing and all rights to any income tax deposits or payments paid by Target or any Target Stockholder, or attributable to periods, prior to the Closing relating to the Acquired Assets or Target; (i) Target’s corporate charter, minute and stock record books, corporate seal, and other documents relating to the organization, maintenance, and existence of Target as a corporation; (j) Target’s corporate records, tax returns and business records; (k) any of the rights of Target under this Agreement (or under any side agreement between Target on the one hand and Buyer on the other hand entered into on or after the date of this Agreement); and (l) the assets listed on Schedule 1(f) attached hereto.

"Excluded Liabilities" means any and all liabilities or obligations not expressly and specifically included within the definition of Assumed Liabilities, including, without limitation, (a) any liabilities of Target to any stockholder of Target or any Affiliate of Sellers, including, without limitation, the Target Stockholders; (b) any liabilities for legal, accounting, audit and investment banking fees, brokerage commissions, and any other expenses incurred by Sellers in connection with the negotiation and preparation of this Agreement or the sale of the Acquired Assets to Buyer hereunder; (c) any liabilities for Taxes; (d) any liability for or related to indebtedness to banks, financial institutions or other persons or entities with respect to borrowed money or otherwise; (e) any liabilities under those agreements, commitments, contracts, insurance policies, leases (including the Lease), licenses, permits, purchase orders, and sales orders which are not assigned to Buyer pursuant to the provisions of this Agreement; (f) product and service warranty liabilities with respect to, and liabilities with respect to returns or allowances and recalls of, products shipped or manufactured or services rendered on or prior to the Closing Date; (g) any liabilities arising out of or in connection with any Employee Benefit Plans, Employee Pension Benefit Plans, or Employee Welfare Benefit Plans ; (h) any liabilities under collective bargaining agreements in respect of employees, any Employee Pension Benefit Plan or any Multiemployer Plan (including, without limitation, any so-called "withdrawal liability" under any such plan); (i) any liabilities to employees for salaries, wages, bonuses, and other compensation that are not Accrued Expenses; (j) any liabilities under any federal or state civil rights or similar law, or the WARN Act, resulting from Target's treatment of its employees, including without limitation Target's termination of employment of its employees; (k) any liabilities as a result of any grievance proceeding, arbitration, administrative proceeding, or proceedings in any court, based upon any employment actions, inactions or omissions by Target, involving any employees or former employees of Target, or individuals who applied for employment with Target, which relate in any way to decisions by Target to hire or not hire such individuals, Target's decisions to terminate, discharge, lay off promote, demote or transfer such individuals, relating to bargaining obligations or actions taken contrary to any bargaining obligations, and Target's decisions regarding payment of compensation and/or benefits to such individuals (including, without limitation, claims raised under any federal, state or local statute or regulation, common law claims, claims based upon any employment contract, or claims based upon any collective bargaining agreement); (l) any claims against or liabilities for injury to or death of persons or damage to or destruction of property (including, without limitation, any worker's compensation claim) regardless of when said claim or liability is asserted, including, without limitation, any claim or liability for consequential or punitive damages in connection with the foregoing; (m) any liabilities arising out of or in connection with any violation of a statute or governmental rule, regulation or directive; (n) any liabilities or obligations with respect to, or relating to, any Environmental, Health, and Safety Requirements; (o) any liabilities in connection with or arising out of the transfer or assignment of any agreements, commitments, contracts, leases, licenses or permits (including, without limitation, under any computer software agreement or license); (p) any liabilities for retrospective or similar insurance premium adjustments with respect to insurance policies transferred or assigned to Buyer pursuant to the provisions of this Agreement; (q) any liabilities for or arising in connection with any claims for infringement or misappropriation by Target or any of its Affiliates of any Intellectual Property or trade secrets of any third party and/or (r) any liabilities (whether asserted before or after Closing) for or arising in connection with any breach of a representation, warranty, or covenant, or for any claim for indemnification, contained in any agreement, contract, lease, license or permit to the extent that such breach or claim arose out of or by virtue of Sellers' performance or nonperformance thereunder on or prior to the Closing Date, it being understood that, as between Sellers and Buyer, this subsection shall apply notwithstanding any provisions which may be contained in any form of consent to the assignment of any such agreement or contract, or any novation agreement, which, by its terms, imposes such liabilities upon Buyer and which assignment or novation agreement is accepted by Buyer notwithstanding the presence of such a provision, and that Sellers' failure to discharge any such liability shall entitle Buyer to indemnification in accordance with the provisions of this Agreement.

"Financial Statements" has the meaning set forth in §3(g).

"First Earn Out Period" means the period commencing on the Closing Date and ending one (1) year thereafter.

"First Earn Out Amount" has the meaning set forth in §2(f)(i).

"GAAP" means United States generally accepted accounting principles as in effect from time to time, consistently applied.

"Hall" means Michael J. Hall.

"Improvements" has the meaning set forth in §3(l).

"Indemnified Party" has the meaning set forth in §6(d).

"Indemnifying Party" has the meaning set forth in §6(d).

"Intellectual Property" means all of the following in any jurisdiction throughout the world: (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof, (b) all trademarks, service marks, trade dress, logos, slogans, trade names, corporate names, URLs, Internet domain names, Web site content and rights in telephone numbers and email accounts and addresses, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (c) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith, (d) all mask works and all applications, registrations, and renewals in connection therewith, (e) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), (f) all computer software (including Source Code, executable code, data, databases, and related documentation) and systems, (g) all machine learning techniques (including all related Source Code, documentation and other materials); (h) all natural language processing (including all related Source Code, documentation and other materials); (i) all advertising and promotional materials; (j) all prototypes; (k) all other proprietary rights, and (l) all copies and tangible embodiments thereof (in whatever form or medium).

"Job Fair Business Unit" means Buyer's business unit that consists of, and utilizes the Acquired Assets to engage in the business of producing career fairs for jobseekers and employers.

"Job Fair Business Unit Positive Cash Flow" shall mean the sum of (a) positive operating cash flow from Buyer's Job Fair Business Unit, (b) positive operating cash flow from job board sales pursuant to agreements included in the Acquired Assets, and (c) without duplication of clause (a), positive operating cash flow generated for the Job Fair Business Unit by Buyer's other business units from sales of career fairs. For purposes of the foregoing clauses (a), (b) and (c), "positive operating cash flow" shall mean the excess of revenue received by Buyer attributable to the Job Fair Business Unit (including, without duplication, such revenue generated by Buyer's other business units), less fixed and variable costs of sales and general and administrative costs of or allocable to the Job Fair Business Unit, including compensation paid to Hall and sales commissions incurred, but excluding interest and depreciation.

"Knowledge of Sellers" (or words of like import) means, with respect to a particular matter, the knowledge any Target Stockholder or any officer or director of Target has or should have after due and diligent investigation.

"Lease" means the Lease dated September 28, 2004, between Wells Fargo Bank, National Association and Target, as amended.

"Leased Premises" means the premises currently leased by Target pursuant to the Lease and commonly known as 1809 South Plymouth Road, Minnetonka, MN 55305.

"Leased Real Property" means all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures, or other interest in real property held by Target.

"Liability" means any liability or obligation of whatever kind or nature (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

"Lien" means any mortgage, pledge, lien, encumbrance, charge, or other security interest other than (a) liens for Taxes not yet due and payable and (b) purchase money liens and liens securing rental payments under capital lease arrangements.

"Material Adverse Effect" or "Material Adverse Change" means any effect or change that would be (or could reasonably be expected to be) materially adverse to the business, assets, condition (financial or otherwise), operating results, operations, or business prospects of Target, individually or taken as a whole, or to the ability of Target to consummate timely the transactions contemplated hereby.

"Most Recent Balance Sheet" means the balance sheet contained within the Most Recent Financial Statements.

"Most Recent Financial Statements" has the meaning set forth in §3(g).

"Most Recent Fiscal Month End" has the meaning set forth in §3(g).

"Most Recent Fiscal Year End" has the meaning set forth in §3(g).

"Multiemployer Plan" has the meaning set forth in ERISA §3(37).

"Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

"Owned Real Property" means all land, together with all buildings, structures, improvements and fixtures located thereon, including all electrical, mechanical, plumbing and other building systems, fire protection, security and surveillance systems, telecommunications, computer, wiring, and cable installations, utility installations, water distribution systems, and landscaping, together with all easements and other rights and interests appurtenant thereto (including air, oil, gas, mineral, and water rights), owned by Target.

"Parties" has the meaning set forth in the preface.

"Party" has the meaning set forth in the preface.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity, or a governmental entity (or any department, agency, or political subdivision thereof).

"Purchase Price" means the sum of the Closing Cash Payment minus the Working Capital Deficit, if any, plus the Earn Out Consideration.

"Real Property" means the Owned Real Property and the Leased Real Property.

"Real Property Laws" has the meaning set forth in §3(l).

"Second Earn Out Period" means the period commencing on the first day following the end of the First Earn Out Period and ending one (1) year thereafter.

"Second Earn Out Amount" has the meaning set forth in §2(f)(ii).

"Sellers" has the meaning set forth in the preface.

"Source Code" means human-readable computer software and code, in a form other than Object Code form or machine-readable form, including related programmer comments and annotations, help text, data and data structures, object-oriented and other code, which may be printed out or displayed in human-readable form, and, for purposes of this Source Code definition, "Object Code" means computer software code, substantially or entirely in binary form, which is intended to be directly executable by a computer after suitable processing and linking but without the intervening steps of compilation or assembly.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof or (b) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof and for this purpose, a Person or Persons own a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity's gains or losses or shall be or control any managing director or general partner of such business entity (other than a corporation). The term "Subsidiary" shall include all Subsidiaries of such Subsidiary.

"Target" has the meaning set forth in the preface.

"Target Stockholders" has the meaning set forth in the preface.

"Tax" or "Taxes" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code §59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, and any amounts required to be paid or remitted to any federal, state, local or foreign governmental authority pursuant to any law governing the disposition of abandoned, unclaimed or escheated property, in each case, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any interest, penalty, or addition thereto, whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other Person.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third-Party Claim" has the meaning set forth in §6(d).

"WARN Act" means the Worker Adjustment and Retraining Notification Act of 1988, as amended, or any similar foreign, state or local law, regulation or ordinance.

"Working Capital Deficit" means the amount equal to (a) twenty five thousand dollars ($25,000) minus the Closing Date Cash Balance, if the Closing Date Cash Balance is less than twenty five thousand dollars ($25,000), or (b) zero dollars ($0) in all other cases.

§2. Basic Transaction.

(a) Purchase and Sale of Assets. On and subject to the terms and conditions of this Agreement, Target agrees to assign, convey, deliver and transfer the Acquired Assets to Buyer at Closing, and Buyer agrees to acquire the Acquired Assets in exchange for the cash consideration to be paid pursuant to §2(c) below and Buyer's assumption of the Assumed Liabilities pursuant to §2(b) below.

(b) Assumption of Liabilities. On and subject to the terms and conditions of this Agreement, Buyer agrees to assume the Assumed Liabilities at the Closing. Buyer will not assume or have any responsibility, however, with respect to any Excluded Liabilities, any and all of which shall be retained by Target and discharged and satisfied by Target in the ordinary course, for which Sellers shall remain solely liable and responsible and for and against which Sellers shall indemnify and hold Buyer harmless in accordance with the provisions of this Agreement.

(c) Payment of Consideration. In consideration for the Acquired Assets, Buyer shall pay to Target at the Closing an aggregate amount equal to the Closing Cash Payment minus the Working Capital Deficit, in cash payable by wire transfer or delivery of other immediately available funds.

(d) Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Patzik Frank & Samotny Ltd., in Chicago, Illinois commencing at 10:00 a.m. local time on the date hereof, or at such other time or place or in such other manner, as the Parties shall mutually agree; provided that an in-person Closing shall not be required and that Closing documents may be exchanged in the same manner as notices in accordance with this Agreement. The date on which the Closing occurs in accordance with the preceding sentence is referred to in this Agreement as the "Closing Date." The Closing shall be deemed to be effective as of 12:01 a.m. Central Daylight Time on the Closing Date.

(e) Deliveries at Closing. At the Closing, the Parties shall execute and deliver the following documents:

(i) Target shall execute and/or deliver to Buyer the following:

(A) The Omnibus Bill of Sale and Assignment and other assignments in the forms attached as Exhibits A-1 through A-3, and such other instruments of sale, transfer, conveyance, and assignment as Buyer and its counsel may reasonably request;

(B) An assumption in the form attached as Exhibit B, and such other instruments of assumption as Buyer and its counsel may reasonably request;

(C) All authorizations, consents, and approvals of governments, governmental agencies and third-parties required in connection with Target's sale and assignment of the Acquired Assets and the consummation of the transaction contemplated herein, including those referred to in §3(c) and §4(c);

(D) A copy of the articles of incorporation of Target, as amended, certified on or soon before the Closing Date by the Secretary of State of the State of Minnesota;

(E) A copy of the certificate of good standing of Target issued on or soon before the Closing Date by the Secretary of State (or comparable officer) of the State of Minnesota and of each jurisdiction in which it is qualified to do business;

(F) A certificate of the secretary of Target, dated the Closing Date, in form and substance reasonably satisfactory to Buyer, as to: (1) no amendments to the articles of incorporation of Target since the date specified in subsection (D) above; (2) the bylaws of Target; and (3) the joint unanimous written consent of the board of directors of Target and the Target Stockholders relating to this Agreement and the transactions contemplated hereby;

(G) The employment agreement with Hall in the form of Exhibit C, executed by Hall;

(H) An assignment of the Lease in the form of Exhibit D, executed by Target and the landlord;

(I) An estoppel certificate with respect to the Lease and the Leased Premises in the form of Exhibit E, executed by Target and the landlord;

(J) An unaudited statement showing the Closing Date Cash Balance; and

(K) Any and all other certificates, opinions, instruments, and other documents required to effect the transactions contemplated hereby, in form and substance reasonably satisfactory to Buyer.

(ii) Buyer will execute and/or deliver to Target the following:

(A) Evidence of the approval by the board of directors of Buyer of this Agreement and the transactions contemplated hereby;

(B) All authorizations, consents, and approvals of governments and governmental agencies required for Buyer to perform its obligations hereunder;

(C) Any and all certificates, instruments, and other documents required to effect the transactions contemplated hereby, in form and substance reasonably satisfactory to Sellers' Representative;

(D) The employment agreement with Hall in the form of Exhibit C, executed by Hall; and

(E) An assignment of the Lease in the form of Exhibit D, executed by Buyer.

(f) Earn Out Consideration. As additional consideration for the Acquired Assets, Target shall be eligible to earn the Earn Out Amounts (as defined below) subject to the terms and conditions set forth below (collectively, the "Earn Out Consideration").

(i) First Earn Out Period. Target will earn, and Buyer will pay Target, an amount equal to 50% of the Job Fair Business Unit Positive Cash Flow in the First Earn Out Period, which payment shall not exceed $200,000, with a minimum guaranteed payment of $100,000, in each case only to the extent that Hall has not (a) voluntarily resigned from Buyer for reasons other than death or disability, or (b) been terminated for Cause (such amount, the "First Earn Out Amount").

(ii) Second Earn Out Period. Target will earn, and Buyer will pay Target, an amount equal to 50% of the Job Fair Business Unit Positive Cash Flow in the Second Earn Out Period, which payment shall not exceed $200,000, with a minimum guaranteed payment of $100,000, in each case only to the extent that Hall has not (a) voluntarily resigned from Buyer for reasons other than death or disability, or (b) been terminated for Cause (such amount, the "Second Earn Out Amount"). Each of the First Earn Out Amount and the Second Earn Out Amount is referred to herein as an "Earn Out Amount," and collectively, the "Earn Out Amounts." Each of the First Earn Out Period and the Second Earn Out Period is referred to herein as an "Earn Out Period."

(iii) Timing of Payment. Payment of all Earn Out Amounts shall be deemed earned as of the end of the applicable Earn Out Period (for example, if Closing occurs on September 19, 2013, the First Earn Out Period will end, and the First Earn Out Amount will be earned, as of September 18, 2014). The Earn Out Amount shall be paid within thirty (30) days following the expiration of the applicable Earn Out Period, payable in cash, by wire transfer of immediately available funds to the account or accounts specified in writing by Target to Buyer.

(g) Allocation. The Parties agree to allocate the Purchase Price in accordance with the rules under Section 1060 of the Code. Such Purchase Price allocation shall be prepared by Buyer and delivered to Target within ninety (90) days of the Closing. Absent a manifest error in Buyer's preparation and/or calculation of such allocation, each Seller hereby agrees that he or it shall accept Buyer's allocation of the Purchase Price. Buyer and Sellers and their Affiliates shall report, act and file Tax Returns (including, but not limited to Internal Revenue Service Form 8594) in all respects and for all purposes consistent with such allocation pursuant to this subsection. If any Earn-Out Consideration is paid, the most recent allocation made under this §2(g) shall be revised to the extent required by the Code using the procedures set forth above with respect to the allocation of the Initial Cash Consideration. Target shall timely and properly prepare, execute, file and deliver all such documents, forms and other information as Buyer may reasonably request to prepare such allocation. Neither Buyer nor Sellers shall take any position (whether in audits, tax returns or otherwise) that is inconsistent with such allocation unless required to do so by applicable law.

§3. Sellers' Representations and Warranties. Target represents and warrants to Buyer that the statements contained in this §3 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this §3), except as set forth in the disclosure schedule accompanying this Agreement (the "Disclosure Schedules"). To the extent that facts or circumstances arise that cause one or more the Disclosure Schedules to become outdated, Seller shall update such Disclosure Schedule(s) prior to Closing. The Disclosure Schedule will be arranged in sections corresponding to the lettered and numbered sections contained in this §3.

(a) Organization of Target. Target is a corporation, duly organized, validly existing and in good standing under the laws of the State of Minnesota. Target is qualified to do business in and is in good standing under the laws of each jurisdiction in which such qualification is required, except where the failure to so qualify does not have a Material Adverse Effect.

(b) Authorization of Transaction. Target has full corporate power and authority, to execute and deliver this Agreement and to perform its obligations hereunder. Without limiting the generality of the foregoing, the stockholders and the board of directors of Target have duly authorized the execution, delivery, and performance of this Agreement by Target. This Agreement constitutes the valid and legally binding obligation of Target, enforceable in accordance with its terms and conditions.

(c) Non-contravention. Except as set forth on Schedule 3(c) of the Disclosure Schedules, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in §2), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which any Seller is subject or any provision of the certificate of incorporation or bylaws of Target or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any agreement, contract, lease, license, instrument, or other arrangement to which any Seller is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Lien upon any of its assets), except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice, or obtain consent or Lien would not have a Material Adverse Effect. Sellers need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any third party, government or governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement (including the assignments and assumptions referred to in §2), except where the failure to give notice, to file, or to obtain any authorization, consent, or approval would not have a Material Adverse Effect.

(d) Brokers' Fees. Except as set forth on Schedule 3(d) of the Disclosure Schedules, Sellers have no Liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Buyer could become liable or obligated.

(e) Title to Assets. Target has good and marketable title to, or a valid leasehold interest in, the properties and assets used or usable by it, located on its premises, or shown on the Most Recent Balance Sheet or acquired after the date thereof, free and clear of all Liens, except for properties and assets disposed of in the Ordinary Course of Business since the date of the Most Recent Balance Sheet. Target has good and marketable title to all of the Acquired Assets, free and clear of any Liens or restriction on transfer. No property or interest in any property which relates to and is or will be necessary or useful in the present or currently contemplated future operation of Target's business, is presently owned by or leased by or to any party other than Target.

(f) Subsidiaries. Target does not have any Subsidiaries. The Dissolved Subsidiary was validly dissolved, effective December 31, 2003, in full compliance with all applicable law. The Dissolved Subsidiary had no Liabilities prior to its dissolution. The Dissolved Subsidiary does not have and has not had at any time since its dissolution any interest in or related to the business of Target or any Acquired Asset. Target has delivered to the Buyer accurate and complete copies of the certificates of dissolution and all other documents relating to the dissolution of the Dissolved Subsidiary.

(g) Financial Statements. Attached hereto as Exhibit F are the following financial statements (collectively the "Financial Statements"): (i) internally prepared balance sheet and statement of income for Target as of and for the fiscal years ended December 31, 2012 (the "Most Recent Fiscal Year End"), December 31, 2011 and December 31, 2010; and (ii) internally prepared balance sheet and statement of income for Target (the "Most Recent Financial Statements") as of and for the six (6) months ending June 30, 2013 (the "Most Recent Fiscal Month End"). The Financial Statements have been prepared in accordance with GAAP through the periods covered thereby present fairly the financial condition of Target as of such dates and the results of operations and cash flows of Target for such periods, are correct and complete, and are consistent with the books and records of Target (which books and records are correct and complete); provided, however, that the Most Recent Financial Statements are subject to normal year-end adjustments (which will not be material individually or in the aggregate).

(h) Undisclosed Liabilities. Target does not have any material Liability (and there is no known basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any of them giving rise to any material Liability), except for (i) Liabilities set forth on the face of the Most Recent Balance Sheet (rather than in any notes thereto) and (ii) Liabilities that have arisen after the Most Recent Fiscal Month End in the Ordinary Course of Business (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement, or violation of law).

(i) Solvency. As of the effective time of the Closing, after giving effect to the transactions contemplated by this Agreement, Target will not: (a) be insolvent (either because its financial condition is such that the sum of its debts is greater than the fair market value of its assets or because the fair saleable value of its assets (i.e., the Purchase Price) is less than the amount required to pay its probable liabilities on existing debts as they mature; or (b) have incurred debts beyond its ability to pay as they become due. Target shall remain solely liable and responsible for the Excluded Liabilities, discharge and satisfy its accounts payable (to the extent not included in the Assumed Liabilities) at Closing and other Excluded Liabilities when due, and indemnify and hold Buyer harmless from and against such Excluded Liabilities in accordance with the provisions of this Agreement.

(j) Legal Compliance. Target and its Affiliates have substantially complied with all applicable laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder and including the Foreign Corrupt Practices Act, 15 U.S.C. 78dd-1 et seq.) of federal, state, local, and foreign governments (and all agencies thereof) in respect of the Acquired Assets, the Real Property and the operation of Target’s business, and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against any of them alleging any failure so to comply.

(k) Tax Matters.

(i) Target has timely filed all Tax Returns that it was required to file under applicable laws and regulations. All such Tax Returns were correct and complete in all respects and were prepared in substantial compliance with all applicable laws and regulations. All Taxes due and owing by Target (whether or not shown or required to be shown on any Tax Return) have been paid. Target is not currently the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where Target does not file Tax Returns that Target is or may be subject to taxation by that jurisdiction. There are no Liens on any of the assets of Target that arose in connection with any failure (or alleged failure) to pay any Tax.

(ii) Without limiting the foregoing, Target has withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party, and all Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed.

(iii) Schedule 3(k) of the Disclosure Schedules lists all federal, state, local, and foreign income Tax Returns filed with respect to Target for taxable periods ended on or after December 31, 2010. None of Target’s Tax Returns are the subject of audit. Target has delivered to Buyer correct and complete copies of all income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by Target since December 31, 2010.

(iv) No foreign, federal, state, or local tax audits or administrative or judicial Tax proceedings are pending or being conducted with respect to Target. Target has not received from any foreign, federal, state, or local taxing authority (including jurisdictions where has not filed Tax Returns) any (i) notice indicating an intent to open an audit or other review, (ii) request for information related to Tax matters, or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed by any taxing authority against Target. Target has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(l) Real Property.

(i) There is no Owned Real Property.

(ii) §3(l)(ii) of the Disclosure Schedule sets forth the address of the sole parcel of Leased Real Property.

(iii) The Leased Real Property identified in 3(l)(ii) of the Disclosure Schedule comprises all of the real property used in Target's business; and Target is not a party to any agreement or option to purchase any real property or interest therein.

(iv) To the Knowledge of Sellers, all buildings, structures, fixtures and equipment, and all components thereof (including the roof, foundation, load-bearing walls and other structural elements thereof), heating, ventilation, air conditioning, mechanical, electrical, plumbing and other building systems (including environmental control, remediation and abatement systems, sewer, storm and waste water systems, fire protection, security and surveillance systems, and telecommunications, computer, wiring and cable installations) and parking facilities included in the Real Property (the "Improvements") are in good condition and repair and sufficient for the operation of Target's business. To the Knowledge of Sellers, there are no structural deficiencies or latent defects affecting any of the Improvements and there are no facts or conditions affecting any of the Improvements which would, individually or in the aggregate, interfere in any material respect with the use or occupancy of the Improvements or any portion thereof in the operation of Target's business as currently conducted thereon.

(v) To the Knowledge of Sellers, there is no condemnation, expropriation or other proceeding in eminent domain, pending or threatened, affecting any parcel of Real Property or any portion thereof or interest therein. To the Knowledge of Sellers, there is no injunction, decree order, writ or judgment outstanding or any claim, litigation, administrative action or similar proceeding pending or threatened relating to the lease, use or occupancy of the Real Property or any portion thereof or the operation of Target's business as currently conducted thereon.

(vi) To the Knowledge of Sellers, the Real Property is in compliance, in all material respects, with all applicable building, zoning, subdivision, health and safety and other land use laws, including the Americans with Disabilities Act of 1990, as amended, and all insurance requirements affecting the Real Property (collectively, the "Real Property Laws"), and the current use and occupancy of the Real Property and operation of Target's business thereon does not violate any Real Property Laws. Target has not received any notice of violation of any Real Property Law and, to the Knowledge of Sellers, there is no basis for the issuance of any such notice or the taking of any action for such violation.

(m) Intellectual Property. (i) Target owns or possesses or has the right to use pursuant to a license or permission all Intellectual Property necessary for the operation of the business of Target as presently conducted. Each item of Intellectual Property owned or used by Target immediately prior to the Closing will be owned or available for use by Buyer on identical terms and conditions immediately subsequent to the Closing hereunder.

(ii) Target's businesses as presently conducted do not infringe upon or misappropriate any Intellectual Property rights of third parties; and none of Sellers has ever received any charge, complaint, claim, demand, or notice alleging any such infringement or misappropriation (including any claim that Target must license or refrain from using any Intellectual Property rights of any third party). To the Knowledge of Sellers, no third party has infringed upon or misappropriated any Intellectual Property rights of Target.

(iii) Target has no patents or pending patent applications. Schedule 3(m)(iii) of the Disclosure Schedules identifies: each registration that has been issued to Target with respect to any of its Intellectual Property, each pending application for registration that Target has made with respect to any of its Intellectual Property, and each license, sublicense, agreement, or other permission that Target has granted to any third party with respect to any of its Intellectual Property (together with any exceptions). Target has delivered to Buyer correct and complete copies of all such registrations, applications, licenses, sublicenses, agreements, and permissions (as amended to date). Schedule 3(m)(iii) of the Disclosure Schedules also identifies each material unregistered trademark, unregistered service mark, trade name, corporate name or Internet domain name, computer software item (other than software owned by any third party) and each material unregistered copyright owned by Target and used in connection with its business. With respect to each item of Intellectual Property required to be identified on Schedule 3(m)(iii) of the Disclosure Schedules:

(A) Target owns and possesses all right, title, and interest in and to the item, free and clear of any Lien, license, or other restriction or limitation regarding use or disclosure;

(B) the item is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge;

(C) no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, to the Knowledge of Sellers, is threatened that challenges the legality, validity, enforceability, use, or ownership of the item, and there are no grounds for the same;

(D) Target has not agreed to indemnify any Person for or against any interference, infringement, misappropriation, or other conflict with respect to the item; and

(E) no loss or expiration of the item is threatened, pending, or reasonably foreseeable, except for patents expiring at the end of their statutory terms (and not as a result of any act or omission by Sellers, including without limitation, a failure by Sellers to pay any required maintenance fees).

(iv) Schedule 3(m)(iv) of the Disclosure Schedules identifies each item of Intellectual Property that any third party owns and that Target uses pursuant to license, sublicense, agreement, or permission. Target has delivered to Buyer correct and complete copies of all such licenses, sublicenses, agreements, and permissions (each as amended to date). With respect to each item of Intellectual Property required to be identified on Schedule 3(m)(iv) of the Disclosure Schedules:

(A) the license, sublicense, agreement, or permission covering the item is legal, valid, binding, enforceable, and in full force and effect;

(B) the license, sublicense, agreement, or permission will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following consummation of the transactions contemplated hereby;

(C) neither Seller, nor to Seller's Knowledge, any other party to the license, sublicense, agreement, or permission is in breach or default, and to Seller's Knowledge no event has occurred that with notice or lapse of time would constitute a breach or default or permit termination, modification, or acceleration thereunder;

(D) no party to the license, sublicense, agreement, or permission has repudiated any provision thereof;

(E) with respect to each sublicense, the representations and warranties set forth in subsections (A) through (D) above are true and correct with respect to the underlying license;

(F) to the Knowledge of Sellers, the underlying item of Intellectual Property is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge;

(G) no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending against Target or, to the Knowledge of Sellers, is threatened that challenges the legality, validity, or enforceability of the underlying item of Intellectual Property, and there are no known grounds for the same;

(H) Target has not granted any sublicense or similar right with respect to the license, sublicense, agreement, or permission; and

(I) the underlying item of Intellectual Property does not constitute open source, public source, or freeware Intellectual Property, or any modification or derivative work thereof, including any version of any software licensed pursuant to any GNU general public license or limited general public license, or other software that is licensed pursuant to a license that purports to require the distribution of, or access to, Source Code or purports to restrict a party's ability to charge for distribution or use of software, and was not used in, incorporated into, integrated or bundled with, any Intellectual Property that is, or was, incorporated in, or used in the development or compilation of, any Intellectual Property of Target.

(vi) Target has taken all necessary and desirable actions to maintain and protect all of the Intellectual Property of Target and will continue to maintain and protect all of the Intellectual Property of Target prior to Closing so as not to adversely affect the validity or enforceability thereof. Without limiting the foregoing, Target has required each employee or consultant of Target with access to such Intellectual Property and each other Person with access to such Intellectual Property, as reasonably necessary, to execute a binding confidentiality agreement (copies of which have been made available to Buyer) and, to the Knowledge of Sellers, there has not been a material breach of any such agreement.

(vii) Target has complied in all material respects with and is presently in compliance in all material respects with all foreign, federal, state, local, governmental, administrative, or regulatory laws, regulations, guidelines, and rules applicable to any Intellectual Property or to personal information and Sellers shall take all steps necessary to ensure such compliance until Closing.

(n) Sufficiency of Assets. The Acquired Assets include all of the assets and property of Target that are necessary to conduct Target's business as it is presently being conducted, and the Acquired Assets conveyed to Buyer on the Closing Date will be sufficient to enable Buyer to continue to conduct Target's business as it is presently being conducted. All of the Acquired Assets are free from material defects (patent and latent), have been maintained in accordance with GAAP and normal industry practice, are in good operating condition and repair (subject to normal wear and tear) and are suitable for the purposes for which it presently is used.

(o) Contracts. Schedule 3(o) of the Disclosure Schedules lists all contracts and other agreements (whether written or oral) to which Target is a party, which are in effect as of the date hereof and which are included in the Acquired Assets. There are no such contracts or agreements that are material to Target's business that are not included in the Acquired Assets. Target has delivered to Buyer a correct and complete copy of each written agreement, and a summary of the terms of each oral agreement, listed on Schedule 3(o) of the Disclosure Schedules. With respect to each such agreement: (A) the agreement is legal, valid, binding, enforceable, and in full force and effect, except as enforceability may be limited by bankruptcy, insolvency, liquidation, receivership, moratorium or other similar laws affecting the enforceability of the rights of creditors and general principles of equity, regardless of whether such enforcement is sought in a proceeding in equity or at law; (B) the agreement will continue to be legal, valid, binding, enforceable, and in full force and effect on the same terms following the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in §2), except as enforceability may be limited by bankruptcy, insolvency, liquidation, receivership, moratorium or other similar laws affecting the enforceability of the rights of creditors and general principles of equity, regardless of whether such enforcement is sought in a proceeding in equity or at law; (C) neither Seller, nor to Seller's Knowledge, any other party is in breach or default, and to Seller's Knowledge, no event has occurred that with notice or lapse of time would constitute a breach or default, or permit termination, modification, or acceleration, under the agreement; (D) no party has repudiated any provision of the agreement; and (E) no such agreement which has not been provided to Buyer has a term in excess of one (1) year which cannot be terminated by Target in its sole and absolute discretion, imposes payment or performance obligations on Target in excess of $5,000 in the aggregate, or is anticipated to result in a material loss to Target.

(p) Accounts Receivable; Accounts Payable and Accrued Expenses. (i) All accounts receivable of Target are reflected properly on its books and records, are valid receivables that arose in the Ordinary Course of Business subject to no setoffs or counterclaims and are current and collectible
in accordance with their terms at their recorded amounts, subject only to the reserve for bad debts set forth on the face of the Most Recent Balance Sheet (rather than in any notes thereto) as adjusted for the passage of time through the Closing Date in accordance with GAAP and the past custom and practice of Target. Without limiting the foregoing, Target has not accelerated its invoicing or collections in a manner inconsistent with its Ordinary Course of Business.

(ii) All Accounts Payable and Accrued Expenses are reflected properly on Target's books and records, are valid payables or accrued expenses incurred in the Ordinary Course of Business and not subject to dispute and are not past due. Target has not deferred or delayed the payment of its Accounts Payable and Accrued Expenses in a manner inconsistent with its Ordinary Course of Business.

(q) Powers of Attorney. There are no outstanding powers of attorney executed on behalf of Target.

(r) Insurance. Target has delivered copies of each current insurance policy (including policies providing property, casualty, liability and workers' compensation coverage and bond and surety arrangements) to which Target is a party, a named insured or otherwise the beneficiary of coverage. With respect to each such insurance policy: (i) the policy is legal, valid, binding, enforceable and in full force and effect in all material respects; (ii) neither Target nor any other party to the policy is in breach or default (including with respect to the payment of premiums or the giving of notices), and no event has occurred that, with notice or the lapse of time, would constitute such a breach or default or permit termination, modification or acceleration, under the policy and (iii) no party to the policy has repudiated any provision thereof. Target has been covered during the past three (3) years by insurance in scope and amount customary and reasonable for the business in which it has engaged during the aforementioned period. §3(r) of the Disclosure Schedule describes any material self-insurance arrangements affecting Target.

(s) Litigation. Schedule 3(s) of the Disclosure Schedules sets forth each instance within the last five (5) years in which Target (i) was or is subject to any outstanding injunction, judgment, order, decree, ruling, or charge or (ii) was or is a party or, to the Knowledge of Sellers, is threatened to be made a party to any action, suit, grievance, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator. To the Knowledge of Sellers, there is no reason to believe that any such action, suit, proceeding, hearing, or investigation may be brought or threatened against Target or that there is any basis for the foregoing.

(t) Service Warranty. Each service rendered by Target has been in substantial conformity with all applicable contractual commitments and all express and implied warranties, and Target does not have any material Liability (and, to the Knowledge of Sellers, there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any of them giving rise to any Liability) for provision of additional services in respect thereof, or other damages in connection therewith, subject only to warranty liabilities.

(u) Service Liability. Target does not have any material Liability (and, to the Knowledge of Sellers, there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any of them giving rise to any material Liability) arising out of any injury to individuals or property as a result of the service rendered by Target.

(v) Employees.

(i) With respect to the business of Target, except as set forth on Schedule 3(v)(i) of the Disclosure Schedules:

(A) there is no employment-related charge, complaint, grievance, investigation, inquiry, citation, audit or obligation of any kind, pending or, to the Knowledge of Sellers, threatened, in any forum, relating to an alleged violation or breach by Target (or its officers, directors or employees, including, without limitation, employees leased by Target) of any law, regulation, or contract; and

(B) to the Knowledge of Sellers, no employee or agent of Target (including, without limitation, employees leased by Target) has committed any act or omission giving rise, or which could give rise, to material liability for any violation or breach identified in subsection (A).

(ii) Except as set forth on Schedule 3(v)(ii) of the Disclosure Schedules, (A) there are no employment contracts or severance agreements with any employees of Target (including, without limitation, any employees leased by Target), and (B) there are no written personnel policies, rules, or procedures applicable to employees of Target (including, without limitation, any employees leased by Target).

(iii) With respect to this transaction, any notice required under any law has been given.

(w) Employee Benefits.

(i) Target does not have any ERISA Affiliate. Except as set forth on Schedule 3(w) of the Disclosure Schedules, Target does not maintain or contribute to, nor has it maintained or contributed to, any "employee pension benefit plans" as defined in Section 3(2) of ERISA, "employee welfare benefit plan" as defined in Section 3(l) of ERISA, or stock bonus, stock option, restricted stock, stock appreciation right, stock purchase, bonus, incentive, deferred compensation, severance, or vacation plans, or any other employee benefit plan, program, policy or arrangement maintained or contributed to by Target or to which Target contributes or is obligated to make payments thereunder or otherwise may have any liability (collectively, the "Employee Benefit Plans").

(ii) Target does not have any liability (including any contingent liability under Section 4204 of ERISA) with respect to any multiemployer plan defined as such in Section 3(37) of ERISA to which contributions are or have been made by Target or as to which Target may have liability and that is covered by Title IV of ERISA ("Multiemployer Plan") covering employees (or former employees) employed in the United States.

(iii) None of the "welfare benefit plans" as defined in Section 3(l) of ERISA maintained by Target provide for continuing benefits or coverage for any participant or any beneficiary of a participant following termination of employment, except as may be required under COBRA and except for severance obligations of Target, or except at the expense of the participant or the participant's beneficiary.

(iv) Each Employee Benefit Plan identified on Schedule 3(w) of the Disclosure Schedules (and each related trust, insurance contract, or fund) has been maintained, funded and administered in all material respects in accordance with the terms of such Employee Benefit Plan, all applicable laws, rules and regulations, including without limitation, the rules and regulations promulgated by the Department of Labor, PBGC, and the United States Treasury, and complies in form and in operation in all material respects with the applicable requirements of ERISA, the Code, and other applicable laws.

(v) The consummation of the transactions contemplated hereby will not result in an increase in the amount of compensation or benefits or accelerate the vesting or timing of payment of any benefits or compensation payable to or in respect of any individual and there is no amount payable to any Person on account of the transactions except as otherwise provided herein and except for any such increase, acceleration or compensation that will not become a liability of Buyer after the Closing.

(x) Guaranties. Target is not a guarantor or otherwise liable for any Liability (including indebtedness) of any other Person.

(y) Environmental, Health and Safety Matters.

(i) Target and its Affiliates have complied and are in compliance, in each case in all material respects, with all Environmental, Health and Safety Requirements in respect of the Acquired Assets, the Real Property and Target's operation of its business.

(ii) Neither Target nor any of its Affiliates has received any written or oral notice, report or other information regarding any actual or alleged violation of Environmental, Health and Safety Requirements or any Liabilities, including any material investigatory, remedial or corrective obligations, relating to the Acquired Assets, the Real Property or Target's operation of its business, arising under Environmental, Health and Safety Requirements.

(iii) To Seller's Knowledge, none of the following exists at the Real Property or any other property or facility operated by Target: (A) underground storage tanks, (B) asbestos-containing material in any form or condition, (C) materials or equipment containing polychlorinated biphenyls or (D) landfills, surface impoundments or disposal areas.

(iv) Neither Target nor any of its Affiliates has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, manufactured, distributed or released any substance, including without limitation any hazardous substance or owned or operated any property or facility (and no such property or facility is contaminated by any such substance) so as to give rise to any current or future Liabilities on the part of Target, including any Liability for fines, penalties, response costs, corrective action costs, personal injury, property damage, natural resources damages or attorneys' fees, pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Solid Waste Disposal Act, as amended or any other Environmental, Health and Safety Requirements.

(v) Target has not assumed, undertaken or otherwise become subject to any Liability, including without limitation any obligation for corrective or remedial action, of any other Person relating to Environmental, Health and Safety Requirements.

(z) Certain Business Relationships With Target. None of any Seller (other than Target) nor any of Sellers' Affiliates, nor any of their respective managers, directors, officers, stockholders, independent contractors and employees, has been involved in any material business arrangement or relationship with Target within the past twelve (12) months, and none of the foregoing owns any material asset, tangible or intangible, that is used in the business of Target. None of any Seller (other than Target) nor any of Sellers' Affiliates, nor any of their respective managers, directors, officers, stockholders, independent contractors and employees, owns any asset, tangible or intangible, that is used in the business of Target not included in the Acquired Assets. Without limiting the foregoing, no transaction between or among Target and any of its Affiliates is included in the Financial Statements.

(aa) Customers and Suppliers.

(i) Schedule 3(aa) of the Disclosure Schedules lists (A) the twenty (20) largest customers of Target for the most recent fiscal year and sets forth opposite the name of each such customer the dollar amount and percentage of consolidated net sales attributable to such customer; and (B) all customers/clients of Target with respect to whom Target has not fully satisfied its performance obligations.

(ii) No material supplier of Target has indicated that it intends to or shall stop, or materially decrease the rate of, supplying products or services to Target (whether as a result of the consummation of the transactions contemplated hereby or otherwise), and no customer listed on Schedule 3(aa) of the Disclosure Schedules has indicated that it intends to or will stop, materially decrease the rate of, or change the terms (whether related to payment, price or otherwise) with respect to buying materials, products or services from Target (whether as a result of the consummation of the transactions contemplated hereby or otherwise). To the Knowledge of Sellers, there is no basis or any reason to believe that any of the foregoing shall occur.

(bb) Customer Data. Target does not perform any functions on behalf or for the benefit of its customers in respect of the collection, storage or maintenance of any of its customer's equipment, data, records or other information that would, to the extent it experienced any failure or slowdown or became unavailable for any amount of time, could cause a material disruption or interruption in or to the business or operations of such customers.

(cc) Computer and Technology Security. Target has taken reasonable steps to safeguard the information technology systems utilized in the operation of the business of Target, including the implementation of procedures to ensure that such information technology systems are free from any disabling codes or instructions, timer, copy protection device, clock, counter or other limiting design or routing and any "back door," "time bomb," "Trojan horse," "worm," "drop dead device," "virus," or other software routines or hardware components that in each case permit unauthorized access or the unauthorized disablement or unauthorized erasure of data or other software by a third party, and, to the Knowledge of Sellers, to date there have been no successful unauthorized intrusions or breaches of the security of the information technology systems except as listed on Schedule 3(cc) of the Disclosure Schedules.

(dd) Data Privacy. Target's business has materially complied with and, as presently conducted, is in material compliance with, all Data Laws. Target has materially complied with, and is presently in material compliance with, its policies applicable to data privacy, data security, and/or personal information. Except as set forth on Schedule 3(dd) of the Disclosure Schedules, Target has not experienced any incident in which personal information or other sensitive data was or may have been stolen or improperly accessed, and Target is not aware of any facts suggesting the likelihood of the foregoing, including without limitation, any breach of security or receipt of any notices or complaints from any Person regarding personal information or other data.

(ee) Events Subsequent to Most Recent Fiscal Year End. Except as set forth on §3(ee) of the Disclosure Schedule, since the Most Recent Fiscal Year End, there has not been any Material Adverse Change. Without limiting the generality of the foregoing, since that date:

(i) Target has not entered into any agreement, contract, lease, or license (or series of related agreements, contracts, leases, and licenses) either involving more than $5,000 or which is outside the Ordinary Course of Business;

(ii) no party (including Target) has accelerated, terminated, modified, or cancelled any agreement, contract, lease, or license (or series of related agreements, contracts, leases, and licenses) to which Target is a party or by which Target is bound;

(iii) Target has not made any capital expenditure (or series of related capital expenditures) either (A) involving more than $5,000 or (B) outside the Ordinary Course of Business;

(iv) Target has not engaged in any efforts outside the Ordinary Course of Business to accelerate the collection of any accounts receivable, other than efforts in accordance with past custom and practice to collect accounts receivable that are past due;

(v) Target has not delayed or postponed the payment of accounts payable and other Liabilities outside the Ordinary Course of Business;

(vi) Target has not cancelled, compromised, waived, or released any right or claim (or series of related rights and claims) except in the Ordinary Course of Business;

(vii) Target has not transferred, assigned, or granted any license or sublicense of any rights under or with respect to any Intellectual Property except in the Ordinary Course of Business;

(viii) Target has not experienced any material damage, destruction, or loss (whether or not covered by insurance) to its property;

(ix) Target is not a party to any employment contract that has not been disclosed to Buyer, or any collective bargaining agreement, written or oral;

(x) Target has not granted any increase in the base compensation of any of its current managers, officers and employees outside the Ordinary Course of Business;

(xi) Target does not have any bonus, profit sharing, incentive, severance, or other plan, contract, or commitment for the benefit of any of its managers, officers and employees that has not been disclosed to Buyer;

(xii) Target has not made any other change in employment terms for any of its managers, officers and employees outside the Ordinary Course of Business;

(xiii) Target has not made any loans or advances of money;

(xiv) Target has not engaged in any transaction outside the Ordinary Course of Business; and

(xv) Target has not committed to any of the foregoing.

(ff) Disclosure. The representations and warranties contained in this §3 do not contain any untrue statement of a fact or omit to state any fact necessary in order to make the statements and information contained in this §3 not misleading. Sellers know of no facts that are material to the operation of Target's business or Buyer's understanding of the risks inherent in the Target's business or its operation that have not been disclosed to Buyer.

§4. Buyer's Representations and Warranties. Buyer represents and warrants to Target that the statements contained in this §4 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this §4), except as set forth in the Disclosure Schedule. The Disclosure Schedule will be arranged in sections corresponding to the lettered and numbered sections contained in this §4.

(a) Organization of Buyer. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Authorization of Transaction. Buyer has corporate power and authority to enter into this Agreement, to consummate the transactions contemplated hereby and to comply with the terms, conditions and provisions hereof. The execution, delivery and performance of this Agreement by Buyer, including, without limitation, the deliveries and other agreements of Buyer contemplated hereby, have been duly authorized and approved Buyer. This Agreement is, and each other agreement or instrument of Buyer contemplated hereby will be, the legal, valid and binding agreement of Buyer, enforceable in accordance with its terms.

(c) Non-contravention. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in §2), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Buyer is subject or any provision of its certificate of incorporation or bylaws, or other governing documents or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Buyer is a party or by which it is bound or to which any of its assets are subject, except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice, or Lien would not have a Material Adverse Effect. Buyer does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement (including the assignments and assumptions referred to in §2), except where the failure to give notice, to file, or to obtain any authorization, consent, or approval would not have a Material Adverse Effect.

(d) Brokers' Fees. Buyer has no Liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Target could become liable or obligated.

§5. Post-Closing Agreements From and after the Closing, the Parties shall have the respective rights and obligations which are set forth in this §5.

(a) Inspection of Records. Target, Buyer and their respective Affiliates shall each retain (which retention may be in electronic format) and make their respective books and records (including work papers in the possession of their respective accountants) available for inspection by the other Party, or by its duly accredited representatives, for reasonable business purposes at all reasonable times during normal business hours, for a seven (7) year period after the Closing Date, with respect to all transactions of Target occurring prior to and those relating to the Closing, and the historical financial condition, assets, liabilities, operations and cash flows of Target. In the case of records owned by Target or any of its Affiliates, such records shall be made available at Target's executive office, and in the case of records owned by Buyer, such records shall be made available at Buyer's executive office. As used in this subsection, the right of inspection includes the right to make extracts or copies. The representatives of a Party inspecting the records of the other Party shall be reasonably satisfactory to the other Party.

(b) Payroll Taxes and Payroll Records. Target and Buyer agree that if the Closing shall have occurred, Buyer may employ certain individuals who immediately before the Closing Date were employed by Target. Target shall, however, furnish a Form W-2 to each employee employed by Target disclosing all wages and other compensation paid through the Closing Date, and taxes withheld therefrom, and Buyer shall furnish a Form W-2 to each employee employed by Buyer who had been employed by Target disclosing all wages and other compensation paid for the balance of the calendar year in which the Closing Date occurs, and taxes withheld therefrom.

(c) Certain Assignments. Target will use its commercially reasonable efforts to obtain any third-party consents required in connection with the sale and assignment of the Acquired Assets and the consummation of the transactions required herein, including, without limitation, those referred to in §3(c). Any other provision of this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to transfer or assign, or a transfer or assignment of, any agreement, claim, commitment, contract, lease, license, permit, sales order or purchase order, or any benefit arising thereunder or resulting therefrom, if an attempt at transfer or assignment thereof without the consent required or necessary for such assignment, would constitute a breach thereof or in any way adversely affect the rights of Buyer or Target thereunder. If (i) the required consent to any such transfer or assignment is not obtained, (ii) an attempted transfer or assignment would be ineffective or would adversely affect the rights of Buyer or Target thereunder so that Buyer would not receive substantially all of such rights, (iii) any such agreement or contract is assigned to Buyer pursuant to the provisions hereof and the other contracting party thereafter raises objections to the assignment and refuses to allow Buyer to perform the contract on the terms therein provided, or threatens to terminate the contract or sue for damages, or (iv) a surety company issuing a bond to Target objects to the completion of a sales order or contract included among the Acquired Assets by Buyer, then Buyer and Target shall cooperate in any arrangement Buyer may reasonably request to provide for Buyer the benefits under such agreement or contract. Such cooperation may include, without limitation, and at Buyer's request shall include, an arrangement to be entered into between Buyer and Target pursuant to which Target shall nominally perform an order or contract, Buyer shall retain the economic benefits or detriments of the order or contract and Target shall perform the order or contract with employees seconded to Target by Buyer (which employees shall be treated as employees of Target during the period of performance) and with inventory, equipment and supplies of Buyer necessary to complete the order or contract transferred from Buyer to Target as required. Nothing contained in this subsection shall be construed as a waiver of any closing condition, nor shall it limit the Liability, if any, of Target pursuant to this Agreement for failing to have disclosed the need for, or failing to use commercially reasonable efforts to obtain, any consent referred to herein.

(d) Employees. Buyer shall not be obligated to offer employment to any employee of Target other than Hall. However, Buyer shall have the right to employ employees of Target as of the Closing Date on such terms and conditions as Buyer shall determine in its sole discretion.

(e) Accounts Receivable. In the event any Seller shall receive any instrument of payment of any of the accounts receivable included in the Acquired Assets, such Seller shall promptly deliver it to Buyer, endorsed where necessary, without recourse, in favor of Buyer. Similarly, in the event Buyer shall receive any instrument of payment of any Excluded Assets, Buyer shall promptly deliver it to Target, endorsed where necessary, without recourse, in favor of Target.

(f) Covenant Not to Compete. As an inducement for Buyer to enter into this Agreement, each Seller agrees that:

(i) from and after the Closing and continuing for the lesser of three (3) years from the Closing Date or the longest time permitted by applicable law, such Seller shall not do any one or more of the following, directly or indirectly, as an owner, member, partner, shareholder, consultant or (without limitation by the specific enumeration of the foregoing) otherwise:

(A) engage or participate in any business which is competitive with the business of Target, as conducted on the Closing Date or as about to or proposed to be conducted on the Closing Date;

(B) solicit, induce, advise, request or influence any employee, customer, prospective customer, sales representative, supplier, vendor, service provider or any other Person to discontinue, reduce the extent of, discourage the development of or otherwise adversely affect such relationship with Buyer with respect to Target;

(C) canvass, solicit, promote or sell any product or service which competes with any of Target's products or services to any customer or prospective customer of Buyer with respect to Target. For purposes of this §5(f), "customer" means any Person which is or was a customer of Target (or its predecessor) during the twenty-four (24) months preceding the Closing Date. "Prospective customer" means any Person with which any employee of Target (including, without limitation, employees leased by Target) has solicited on behalf of Target during the twenty-four (24) months preceding the Closing date;

(D) (1) recruit, solicit or otherwise induce or influence any employee, consultant, sales representative, independent contractor or agent or other personnel of Buyer (including, without limitation, any such Person employed by Target prior to the Closing) to discontinue or otherwise terminate such relationship with Buyer or (2) employ, seek to employ or cause any competitive business (within the meaning of subsection (A)) to employ or seek to employ as an employee, consultant, sales representative, independent contractor or agent, any Person who is then (or was at any time within the preceding twelve (12) months) an employee, consultant, sales representative, independent contractor, agent or other personnel of Buyer (including, without limitation, any such Person employed by Target prior to the Closing); or

(E) take any other action that would interfere with or adversely impact Buyer in the operation of the business as conducted by Target prior to the Closing Date.

(ii) in the event of any breach of subsection (i) the time period of the breached covenant shall be extended for the period of such breach. Sellers recognize that the territorial, time and scope limitations set forth in this subsection are reasonable and are required for the protection of Buyer and in the event that any such territorial, time or scope limitation is deemed to be unreasonable by a court of competent jurisdiction, Buyer and Sellers agree to the reduction of either or any of said territorial, time or scope limitations to such an area, period or scope as said court shall deem reasonable under the circumstances.

(g) Disclosure of Confidential Information. As a further inducement for Buyer to enter into this Agreement, Sellers agree that for the longest period permitted by law after the Closing Date, Sellers shall, and shall cause their Affiliates to, hold in strictest confidence, and not, without the prior written approval of Buyer, use for their own benefit or the benefit of any party other than Buyer or disclose to any person, firm or corporation other than Buyer (other than as required by law) any Confidential Information.

(h) Injunctive Relief. Sellers specifically recognize that any breach of subsections (f) or (g) will cause irreparable injury to Buyer and that actual damages may be difficult to ascertain, and in any event, may be inadequate. Accordingly (and without limiting the availability of legal or equitable, including injunctive, remedies under any other provisions of this Agreement), Sellers agree that in the event of any such breach, Buyer shall be entitled to injunctive relief in addition to such other legal and equitable remedies that may be available. Further, in the event that Sellers have been found to have violated any of the terms of subsections (f) or (g), either after a preliminary injunction hearing or a trial on the merits, Sellers shall pay to Buyer its costs and expenses, including reasonable attorneys' fees, in enforcing the terms thereof.

(i) Tax Clearance Certificates. Buyer and Target shall cooperate in preparing and filing with the appropriate governmental authorities such forms as may be required in order to obtain a tax clearance certificate or other document absolving Buyer from any responsibility or liability for Target's income, sales and use taxes. Sellers hereby agree jointly and severally to indemnify and save and hold harmless Buyer and its officers, directors, managers, partners, stockholders, employees, agents, representatives, Affiliates, successors and assigns from and against any and all Adverse Consequences arising out of or resulting from the failure to comply with the bulk sales laws of the State of Minnesota or such other state as to which such act or equivalent act applies or may apply to the transactions contemplated by this Agreement

(j) Further Assurances. The Parties shall execute such further documents, and perform such further acts, as may be necessary to transfer and convey the Acquired Assets to Buyer, on the terms herein contained, and to otherwise comply with the terms of this Agreement and consummate the transaction contemplated hereby.

§6. Indemnification.

(a) Survival of Representations and Warranties. All of the representations and warranties of Sellers contained in §§3(a)-(f), and all of the representations and warranties of Buyer contained in §§4(a)-(d), shall survive the Closing (in each case even if the damaged Party or Parties knew or had reason to know of any misrepresentation or breach of warranty at the time of Closing) and continue in full force and effect indefinitely. The representations and warranties of Sellers contained in §§3(j), (k), (m), (w) and (y) shall survive the Closing (in each case even if the damaged Party or Parties knew or had reason to know of any misrepresentation or breach of warranty at the time of Closing) and continue in full force and effect until the expiration of any applicable statutes of limitations (after giving effect to any extensions of waivers) plus sixty (60) days. All of the other representations and warranties of Sellers and Buyer contained herein shall survive the Closing (in each case even if the damaged Party or Parties knew or had reason to know of any misrepresentation or breach of warranty at the time of Closing) and continue in full force and effect until the two (2) year anniversary of the Closing Date.

(b) Indemnification Provisions for Buyer's Benefit.

(i) In the event a Seller breaches (or in the event any third party alleges facts that, if true, would mean a Seller has breached) any of its representations, warranties, and covenants contained in this Agreement (determined without regard to any limitations or qualifications by materiality), or if any of the statements in §3 are untrue (or in the event any third party alleges facts that, if true, would mean that such statements are untrue), and provided that Buyer makes a written claim for indemnification against Sellers pursuant to §7(f), then each Seller shall be obligated jointly and severally to indemnify Buyer and its officers, directors, managers, partners, stockholders, employees, agents, representatives, Affiliates, successors and assigns (each a "Buyer Indemnitee"), from and against the entirety of any Adverse Consequences such Buyer Indemnitee suffers (including any Adverse Consequences such Buyer Indemnitee suffers after the end of any applicable survival period) resulting from, arising out of, relating to, in the nature of, or caused by the breach (or the alleged breach) or the untruth (or alleged untruth).

(ii) Each Seller shall be obligated jointly and severally to indemnify each Buyer Indemnitee from and against the entirety of any Adverse Consequences such Buyer Indemnitee may suffer resulting from, arising out of, relating to, in the nature of, or caused by (A) any Excluded Liability that becomes a Liability of such Buyer Indemnitee (including under any bulk transfer law of any jurisdiction, under any common law doctrine of de facto merger or successor liability, under Environmental, Health, and Safety Requirements, or otherwise by operation of law) or (B) the operation of Target's business or the use of the Acquired Assets prior to or on the Closing Date (other than an Assumed Liability, including, without limitation, Adverse Consequences resulting from the termination by Buyer of any employee hired by Buyer after the Closing.

(c) Indemnification Provisions for Target's Benefit.

(i) In the event Buyer breaches any of its representations, warranties, and covenants contained in this Agreement, and provided that Sellers' Representative makes a written claim for indemnification against Buyer pursuant to §7(f), then Buyer shall be obligated to indemnify Target from and against the entirety of any Adverse Consequences Target suffers (including any Adverse Consequences Target suffers or Sellers suffer after the end of any applicable survival period) resulting from, arising out of, relating to, in the nature of, or caused by the breach (or the alleged breach).

(ii) Buyer agrees to indemnify Target and the Sellers from and against the entirety of any Adverse Consequences suffered resulting from, arising out of, relating to, in the nature of, or caused by any Assumed Liability.

(d) Matters Involving Third Parties.

(i) If any third party notifies any Party entitled to indemnification hereunder (the "Indemnified Party") with respect to any matter (a "Third-Party Claim") that may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this §6, then the Indemnified Party shall promptly notify each Indemnifying Party thereof in writing; provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party is thereby prejudiced.

(ii) Any Indemnifying Party shall have the right to defend the Indemnified Party against the Third-Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (A) the Indemnifying Party notifies the Indemnified Party in writing within fifteen (15) days after the Indemnified Party has given notice of the Third-Party Claim that the Indemnifying Party shall indemnify the Indemnified Party from and against the entirety of any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third-Party Claim, (B) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Third-Party Claim and fulfill its indemnification obligations hereunder, (C) the Third-Party Claim involves only money damages and does not seek an injunction or other equitable relief, (D) settlement of, or an adverse judgment with respect to, the Third-Party Claim is not, in the good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice materially adverse to the continuing business interests or the reputation of the Indemnified Party, and (E) the Indemnifying Party conducts the defense of the Third-Party Claim actively and diligently.

(iii) So long as the Indemnifying Party is conducting the defense of the Third-Party Claim in accordance with §6(d)(ii), (A) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third-Party Claim, (B) the Indemnified Party shall not consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnifying Party (not to be unreasonably withheld), and (C) the Indemnifying Party shall not consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld).

(iv) In the event any of the conditions in §6(d)(ii) is or becomes unsatisfied, however, (A) the Indemnified Party may defend against, and consent to the entry of any judgment on or enter into any settlement with respect to, the Third-Party Claim in any manner it may reasonably deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, any Indemnifying Party in connection therewith), (B) the Indemnifying Parties shall reimburse the Indemnified Party promptly and periodically for the costs of defending against the Third-Party Claim (including reasonable attorneys' fees and expenses incurred after such condition or conditions become unsatisfied), and (C) the Indemnifying Parties shall remain responsible for any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third-Party Claim to the fullest extent provided in this §6.

(e) Determination of Adverse Consequences. All indemnification payments under this §6 shall be deemed adjustments to the Purchase Price.

(f) Right of Setoff. Buyer shall have the right, at its election, to offset any amounts due from a Seller to Buyer against any amounts owed by Buyer to a Seller.

(g) Limitations. Notwithstanding any provision contained herein to the contrary, Sellers shall have no obligation to indemnify Buyer hereunder for Adverse Consequences arising from or as a result of the failure of any representations or warranties to be true and correct, in an aggregate amount in excess of $200,000 in the aggregate.

(h) Other Indemnification Provisions. The foregoing indemnification provisions are in addition to, and not in derogation of, any statutory, equitable, or common law remedy (including without limitation any such remedy arising under Environmental, Health, and Safety Requirements) any Party may have with respect to Target or the transactions contemplated by this Agreement.

§7. Miscellaneous.

(a) No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(b) Entire Agreement. This Agreement (including the documents referred to herein and all schedules and exhibits hereto) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

(c) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party; provided, however, that Buyer may without the consent of Sellers (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (ii) designate one or more of its Affiliates to perform its obligations hereunder.

(d) Counterparts. This Agreement may be executed in one or more counterparts (including by means of facsimile or electronic transmission in portable document format), each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(e) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given (i) when delivered personally to the recipient, (ii) one (1) business day after being sent to the recipient by reputable overnight courier service (charges prepaid), (iii) one (1) business day after being sent to the recipient by facsimile transmission or electronic mail, or (iv) three (3) business days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to Target:	Personnel Strategies Inc. 1809 South Plymouth Road Suite 350 Hopkins, Minnesota 55305 Attn: Michael J. Hall
with copy to:	Best & Flanagan LLP 225 South Sixth Street Suite 4000 Minneapolis, Minnesota 55402 Attn: Daniel A. Kaplan
If to Buyer:	Professional Diversity Network, Inc. 801 W. Adams Street Suite 600 Chicago, Illinois 60607 Attn: James Kirsch
with copy to:	Patzik, Frank & Samotny Ltd. 150 South Wacker Drive Suite 1500 Chicago, Illinois 60606 Attn: Chadwick I. Buttell, Esq.

Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(g) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Illinois without giving effect to any choice or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Illinois.

(h) Attorneys' Fees. The prevailing parties in any litigation in connection with this Agreement shall be entitled to recover from the non-prevailing parties all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by the prevailing parties in connection with any such litigation.

(i) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Buyer and Sellers. No waiver by any Party of any provision of this Agreement or any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such default, misrepresentation, or breach of warranty or covenant.

(j) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(k) Expenses. Buyer and each Seller will bear their own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. Without limiting the generality of the foregoing, all transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement shall be paid by Target when due, and Target will, at its own expense, file all necessary Tax Returns and other documentation with respect to all such Taxes, fees and charges, and, if required by applicable law, the Parties will, and will cause their respective Affiliates to, join in the execution of any such Tax Returns and other documentation.

(l) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation. Nothing in the Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein unless the Disclosure Schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be deemed adequate to disclose an exception to a representation or warranty made herein (unless the representation or warranty has to do with the existence of the document or other item itself). The Parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any Party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) that the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty, or covenant.

(m) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(n) Specific Performance. Each Party acknowledges and agrees that the other Party would be damaged irreparably in the event any provision of this Agreement is not performed in accordance with its specific terms or otherwise is breached, so that a Party shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in addition to any other remedy to which such Party may be entitled, at law or in equity. In particular, the Parties acknowledge that the business of Target is unique and recognize and affirm that in the event any Seller breaches this Agreement, money damages would be inadequate and Buyer would have no adequate remedy at law, so that Buyer shall have the right, in addition to any other rights and remedies existing in its favor, to enforce its rights and the other Parties' obligations hereunder not only by action for damages but also by action for specific performance, injunctive, and/or other equitable relief.

(o) Submission to Jurisdiction. Each of the Parties submits to the non-exclusive jurisdiction of any state or federal court sitting in Chicago, Illinois, in any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceeding may be heard and determined in any such court. Each of the Parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other Party with respect thereto. Nothing in this §7(o), however, shall affect the right of any Party to bring any action or proceeding arising out of or relating to this Agreement in any other court. Each Party agrees that a final judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law or in equity.

(p) Sellers' Representative

(i) Appointment. By executing this Agreement, each of the Target Stockholders hereby irrevocably appoints Michael J. Hall as its, her or his representative under this Agreement and as attorney-in-fact for and on behalf of each Target Stockholder (the "Sellers' Representative"). Sellers' Representative shall receive and deliver all notices, communications and deliveries under this Agreement on behalf of the Target Stockholders, in each case, as fully and completely as any of the Target Stockholders could do if personally present and acting and as though any reference to the Target Stockholders were a reference to Sellers' Representative Notices of communications to or from the Sellers' Representative shall for all purposes hereunder be deemed to constitute notice to or from each of the Target Stockholders.

(ii) Successor Sellers' Representative(s). Upon the death, resignation or incapacity of the initial Sellers' Representative, the remaining Target Stockholders may appoint a successor Sellers' Representative utilizing such appointment process as they unanimously agree.

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties hereto have executed this Asset Purchase Agreement on the date first above written.

BUYER:

PROFESSIONAL DIVERSITY NETWORK, INC.

By: /s/ James R/ Kirsch
Name: James R. Kirsch
Its: CEO

TARGET:

PERSONNEL STRATEGIES INC.

By: /s/ Michael J. Hall
Name: Michael J. Hall
Its: President

TARGET STOCKHOLDERS:

/s/ Michael J. Hall
Michael J. Hall

[Signature Page to Asset Purchase Agreement]

Exhibit 31.1

CERTIFICATIONS

I, James Kirsch, certify that:

1. I have reviewed this annual report on Form 10-K of Professional Diversity Network, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2014

/s/ James Kirsch
James Kirsch
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, David Mecklenburger, certify that:

1. I have reviewed this annual report on Form 10-K of Professional Diversity Network, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 27, 2014

/s/ David Mecklenburger
David Mecklenburger
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18
U.S.C. SECTION 1350

In connection with the Annual Report of Professional Diversity Network, Inc. (the “registrant”) on Form 10-K for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the “report”), we, James Kirsch and David Mecklenburger, Chief Executive Officer and Chief Financial Officer, respectively, of the registrant, certify, pursuant to 18 U.S.C. § 1350, that to our knowledge:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Dated: March 27, 2014

/s/ James Kirsch
James Kirsch
Chief Executive Officer

/s/ David Mecklenburger
David Mecklenburger
Chief Financial Officer