UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2014

OR

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

For the Transition Period from_____ to _____ .

Commission File Number: 001-35824

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) (Zip Code)

Telephone: (312) 614-0950
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed, since last report)

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

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

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

Large accelerated filer ☐	Accelerated filer ☐
Non−accelerated filer ☐	Smaller reporting company ☒

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

There were 12,619,690 shares outstanding of the registrant's common stock as of November 14, 2014.

PROFESSIONAL DIVERSITY NETWORK, INC.

FORM 10-Q
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

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PART I
ITEM 1. FINANCIAL STATEMENTS

Professional Diversity Network, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30, 2014	December 31, 2013
Current Assets:		
Cash and cash equivalents	$ 1,821,818	$ 18,736,495
Accounts receivable	1,203,323	1,218,112
Short-term investments	9,237,513	-
Incremental direct costs	966,297	-
Prepaid license fee	393,750	-
Prepaid expenses and other current assets	613,759	99,094
Total current assets	14,236,460	20,053,701
Property and equipment, net	844,485	54,781
Capitalized technology, net	559,055	692,511
Goodwill	45,353,016	735,328
Intangible assets, net	14,428,742	90,400
Merchant reserve	1,532,116	-
Deferred tax asset	51,574	380,832
Security deposits	354,835	12,644
Other assets	10,000	-
Total assets	$ 77,370,283	$ 22,020,197
Current Liabilities:		
Accounts payable	$ 5,658,458	$ 222,961
Accrued expenses	1,590,250	188,462
Deferred revenue	9,699,756	1,024,420
Customer deposits	393,750	-
Note payable - related party acquisition financing	434,582	-
Warrant liability	106,236	85,221
Capital lease obligations	17,093	-
Total current liabilities	17,900,125	1,521,064
Deferred tax liability	4,376,686	-
Total liabilities	22,276,811	1,521,064
Commitments and contingencies		
Stockholders' Equity		
Common stock, $0.01 par value, 25,000,000 shares authorized, 12,628,072 shares and 6,318,227 shares issued as of September 30, 2014 and December 31, 2013, respectively, and 12,619,690 and 6,316,027 shares outstanding as of September 30, 2014 and December 31, 2013, respectively	126,280	63,182
Additional paid in capital	58,132,426	21,883,593
Accumulated deficit	(3,128,117)	(1,436,387)
Treasury stock, at cost; 8,382 shares at September 30, 2014 and 2,200 shares at December 31, 2013	(37,117)	(11,255)
Total stockholders' equity	55,093,472	20,499,133
Total liabilities and stockholders' equity	$ 77,370,283	$ 22,020,197

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

Professional Diversity Network, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues				
Recruitment services	$ 712,728	$ 601,539	$ 2,114,178	$ 1,693,330
Consumer advertising and consumer marketing solutions revenue	448,860	377,750	1,317,351	1,182,682
Membership fees and related services	402,397	-	402,397	-
Product sales and other revenue	11,395	-	11,395	-
Total revenues	1,575,380	979,289	3,845,321	2,876,012
Costs and expenses:				
Cost of sales and services	388,084	235,304	1,150,309	721,522
Sales and marketing	991,785	606,606	2,551,312	1,638,433
General and administrative	648,218	529,806	1,755,933	1,477,920
Depreciation and amortization	130,065	66,412	314,619	182,399
Gain on sale of property and equipment	-	576	-	(4,158)
Total costs and expenses	2,158,152	1,438,704	5,772,173	4,016,116
Loss from operations	(582,772)	(459,415)	(1,926,852)	(1,140,104)
Other income (expense)				
Interest expense	(377)	-	(377)	(155,136)
Interest and other income	27,791	5,717	95,047	20,073
Acquisition related costs	(968,839)	-	(968,839)	-
Loss on sale of marketable securities	-	(7,640)	-	(7,640)
Other income (expense), net	(941,425)	(1,923)	(874,169)	(142,703)
Change in fair value of warrant liability	(34,547)	4,456	(21,015)	315,759
Loss before income taxes	(1,558,744)	(456,882)	(2,822,036)	(967,048)
Income tax benefit	(617,717)	(185,382)	(1,130,306)	(80,570)
Net loss	$ (941,027)	$ (271,500)	$ (1,691,730)	$ (886,478)
Other comprehensive (loss) income:				
Net loss	$ (941,027)	$ (271,500)	$ (1,691,730)	$ (886,478)
Unrealized gains on marketable securities	-	(3,782)	-	(9,143)
Reclassification adjustments for losses on marketable securities included in net income	-	7,640		7,640
Comprehensive loss	$ (941,027)	$ (267,642)	$ (1,691,730)	$ (887,981)
Net loss per common share, basic and diluted	$ (0.14)	$ (0.04)	$ (0.26)	$ (0.14)
Shares used in computing pro forma net loss per common share:				
Basic and diluted	6,721,357	6,318,227	6,451,852	6,318,227
Pro-forma computation related to conversion to a C corporation upon completion of initial public offering:				
Historical pre-tax net loss before taxes	$ (1,558,744)	$ (456,882)	$ (2,822,036)	$ (967,048)
Pro-forma tax benefit	(617,717)	(185,382)	(1,130,306)	(440,677)
Pro-forma net loss	$ (941,027)	$ (271,500)	$ (1,691,730)	$ (526,371)
Pro-forma loss per share - basic and diluted				
Unaudited pro-forma loss per share	$ (0.14)	$ (0.04)	$ (0.26)	$ (0.08)
Weighted average number of shares outstanding	6,721,357	6,318,227	6,451,852	6,318,227

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

Professional Diversity Network, Inc.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

	Common Stock		Additional Paid In	Accumulated	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Deficit	Shares	Amount	Equity
Balance at December 31, 2013	6,318,227	$ 63,182	$ 21,883,593	$ (1,436,387)	2,200	$ (11,255)	$ 20,499,133
Repurchase of common stock	-	-		-	6,182	(25,862)	(25,862)
Stock-based compensation	-	-	50,292	-	-	-	50,292
Issuance of common stock in connection with acquisition of NAPW, Inc.	6,309,845	63,098	35,208,935	-	-	-	35,272,033
Fair value of options issued in connection with acquisition of NAPW	-	-	556,496	-	-	-	556,496
Fair of warrants issued in connection with acquisition of NAPW	-	-	294,342	-	-	-	294,342
Fair value of warrants issued to financial advisor in connection with acquisition of NAPW	-	-	138,768	-	-	-	138,768
Net loss	-	-	-	(1,691,730)	-	-	(1,691,730)
Balance at September 30, 2014	**12,628,072**	**$ 126,280**	**$ 58,132,426**	**$ (3,128,117)**	**8,382**	**$ (37,117)**	**$ 55,093,472**

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

Professional Diversity Network, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30,	
	2014	**2013**
Cash flows from operating activities:		
Net loss	$ (1,691,730)	$ (886,478)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	314,619	182,399
Deferred tax benefit	(1,130,306)	(80,570)
Fair value of warrants issued to advisor in connection with acquisition	138,768	-
Stock-based compensation expense	50,292	-
Change in fair value of warrant liability	21,015	(315,759)
Loss on sale of marketable securities, net	-	7,640
Ammortization of premium on short-term investments, net	45,020	-
Gain on sale of property and equipment	-	(4,158)
Interest added to notes payable	-	16,881
Accretion of interest on notes payable	-	138,255
Changes in operating assets and liabilities:		
Accounts receivable	128,128	1,532,222
Prepaid expenses and other current assets	(216,761)	(72,803)
Merchant reserve	236,480	-
Incremental direct costs	(35,171)	-
Prepaid license fee	(393,750)	-
Accounts payable	(718,067)	(93,006)
Accrued expenses	(402,836)	83,205
Deferred income	(204,664)	-
Customer deposits	393,750	-
Merchant cash advances	(447,371)	-
Net cash (used in) provided by operating activities	(3,912,584)	507,828
Cash flows from investing activities:		
Proceeds from maturities of short-term investments	6,243,000	242,206
Purchases of short-term investments	(15,525,533)	-
Cash paid to purchase technology	-	(200,000)
Cash paid for acquisition, net of cash acquired	(3,549,802)	(135,945)
Costs incurred to develop technology	(125,291)	(243,325)
Sale of property and equipment	-	6,203
Purchases of property and equipment	(13,300)	(32,564)
Net cash used in investing activities	(12,970,926)	(363,425)

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

	Nine Months Ended September 30,	
	2014	**2013**
Cash flows from financing activities:		
Distributions to members	-	(200,000)
Proceeds from IPO, net of offering costs	-	19,474,565
Deferred IPO costs	-	(479,356)
Payments of capital leases	(5,305)	-
Repurchase of common stock	(25,862)	-
Net cash (used in) provided by financing activities	(31,167)	18,795,209
Net (decrease) increase in cash and cash equivalents	(16,914,677)	18,939,612
Cash and cash equivalents, beginning of period	18,736,495	868,294
Cash and cash equivalents, end of period	$ 1,821,818	$ 19,807,906
Supplemental disclosures of other cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -
Non-cash disclosures:		
Common stock issued in connection with acquisition of NAPW	$ 35,272,033	$ -
Fair value of options issued in connection with acquisition of NAPW	$ 556,496	$ -
Fair value of warrants issued in connection with acquisition of NAPW	$ 294,342	$ -
Note payable - related party acquisition financing	$ 434,582	$ -
IPO costs in accounts payable	$ -	$ 30,567
Deferred revenue in accounts receivable	$ -	$ 152,137
Conversion of notes payable to equity	$ -	$ 1,643,036
Reduction of additional paid-in capital for deferred IPO costs	$ -	$ 1,342,163

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

1. Description of Business

Professional Diversity Network, Inc. (the "Company," "we," "our" and "us") is the operator of the Professional Diversity Network ("Professional Diversity Network," "PDN Network," or "PDN") and a holding company for NAPW, Inc., a wholly-owned subsidiary of the Company and operator of the National Association of Professional Women ("NAPW Network" or "NAPW") The Company 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 PDN Network 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. The NAPW Network is an exclusive women-only professional networking organization, whereby its members can develop their professional networks, further their education and skills, and promote their business and career accomplishments. NAPW provides its members with opportunities to network and develop valuable business relationships with other professionals though its website, as well as at events hosted at its local chapters across the country.

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 on March 8, 2013 and received $19,474,565 in proceeds, net of offering costs.

As more fully described in Note 12 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. Under our business agreement with LinkedIn, LinkedIn made fixed quarterly payments to us in the amount of $500,000 per quarter and paid us commissions for sales of our services in excess of certain thresholds. The agreement with LinkedIn terminated on March 29, 2014 and, as a result, LinkedIn is no longer a reseller of the Company's products or services and the Company will not receive the fixed quarterly payments of $500,000 or have the potential to earn additional commission revenue from LinkedIn. The termination of our agreement with LinkedIn has had a material impact on revenue and operating cash flow in the near term. However, as of March 30, 2014, we are permitted 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. The Company has implemented a plan to actively engage with the 1,000 companies that were formerly restricted from us by the agreement with LinkedIn. In addition, we are also marketing to customers that had purchased our products through contracts with LinkedIn with the intent of renewing those contracts directly as they expire over the coming 12 months. We feel that our existing salesforce has the capacity to service the additional potential customers we are targeting as a result of the termination of the LinkedIn agreement.

The termination of our agreement with LinkedIn will have a material impact on revenue and operating cash flow during the year ending 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 to all potential customers 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 Equal Employment Opportunity-Office of Federal Contract Compliance Program 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.

On September 9, 2014, the Company received written notice from Apollo Education Group, Inc., the parent company of the University of Phoenix ("Apollo Group"), of Apollo Group's voluntary termination without cause of the Master Services Agreement, dated October 1, 2012 (the "Apollo Agreement"), between the Company and Apollo Group. The termination took effect on October 9, 2014. The Apollo Agreement would have otherwise expired by its terms on February 28, 2015.

The Apollo Agreement provided that Apollo Group paid a fixed monthly fee of $116,667 for the following services provided by the Company to 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 services that the Company provided to Apollo Group were unique to that relationship and are not core to the Company's membership success mission. The Company will not incur or pay any early termination penalties in connection with the termination of the Apollo Agreement. During the entire term of the Apollo Agreement, the Company was never notified of a default or a violation of its service level agreements.

The termination of the Apollo Agreement will free up valuable resources of the Company that will allow it to develop the new networking platform the Company is building for the NAPW. Following the effectiveness of such termination, the engineering resources and personnel associated with supporting Apollo Group will be dedicated to providing the members of NAPW with an enhanced online networking experience.

3. Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements as of September 30, 2014 and for the three and nine months then ended have been prepared in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission ("SEC") and on the same basis as the Company prepares its annual audited consolidated financial statements. The condensed consolidated balance sheet as of September 30, 2014, condensed consolidated statements of comprehensive loss for the three and nine months ended September 30, 2014 and 2013, the condensed consolidated statements of cash flows for the nine months ended September 30, 2014 and 2013, and the condensed consolidated statements of stockholders' equity for the nine months ended September 30, 2014 are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. The results for the three and nine months ended September 30, 2014 are not necessarily indicative of results to be expected for the year ending December 31, 2014 or for any future interim period. The condensed consolidated balance sheet at December 31, 2013 has been derived from audited financial statements; however, it does not include all of the information and notes required by U.S. GAAP for complete financial statements. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013, and notes thereto included in the Company's annual report on Form 10-K, which was filed with the SEC on March 27, 2014.

Use of Estimates - The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the unaudited interim condensed consolidated financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from estimates.

Principles of Consolidation - The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Short-Term Investments - All highly liquid investments that have an original maturity of greater than 90 days but less than one year at the date of purchase are classified as short-term investments. The Company classifies short-term investments as held to maturity and carries them at amortized cost if the Company has the positive intent and ability to hold the securities to maturity. The Company did not sell or transfer any of its marketable securities during the nine months ended September 30, 2014 and does not anticipate selling or transferring these investments before their maturity date. The Company did not have any short-term investments at December 31, 2013. As of September 30, 2014, short-term investments consist of certificates of deposit, which are classified as "Level 1," and municipal bonds and corporate fixed income bonds, which are classified as "Level 2."

	September 30, 2014			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Certificates of deposit	$2,285,618	$ 1,119	$ -	$2,286,737
Municipal bonds	1,109,019	-	(4,220)	1,104,799
Corporate fixed income bonds	5,842,687	87,397	-	5,930,084
	$9,237,324	$ 88,516	$ (4,220)	$9,321,620

Incremental Direct Costs - Incremental direct costs incurred in connection with enrolling members in the NAPW Network consist of sales commissions paid to the Company's direct sales agents. The commissions are deferred and amortized over the term of membership, which is a 12 month period. Amortization of deferred commissions is included in sales and marketing expense in the accompanying condensed consolidated statements of comprehensive loss. There was no amortization expense recorded during the three and nine months ended September 30, 2014.

Business Combinations – Accounting Standards Codification ("ASC") 805, Business Combinations ("ASC 805") applies the acquisition method of accounting for business combinations to all acquisitions where the acquirer gains a controlling interest, regardless of whether consideration was exchanged. ASC 805 establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Accounting for acquisitions requires the Company to recognize, separately from goodwill, the assets acquired and the liabilities assumed at their acquisition-date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net of the acquisition-date fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of comprehensive loss.

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 tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis (December 31 for the Company) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company considers its market capitalization and the carrying value of its assets and liabilities, including goodwill, when performing its goodwill impairment test. When conducting its annual goodwill impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that goodwill is impaired. If it is determined by a qualitative evaluation that it is more likely than not that goodwill is impaired, the Company then applies a two-step impairment test. The two-step impairment test first compares the fair value of the Company's reporting unit to its carrying or book value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the reporting unit exceeds its fair value, the Company determines the implied fair value of the reporting unit's goodwill and if the carrying value of the reporting unit's goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded in the consolidated statements of operations. There was no impairment of goodwill as of September 30, 2014.

Intangible assets represent sales process, paid membership relationships member lists, developed technology and trade names/trademarks related to NAPW. Additionally, the Company has a trade name related to iHispano.com. Finite lived assets are amortized on a straight-line basis over the estimated useful lives of the assets. Indefinite lived intangible assets are not amortized, but instead are subject to impairment evaluation. There was no impairment of intangible assets as of September 30, 2014.

Revenue Recognition – Revenue is recognized when all of the following conditions exist: (1) persuasive evidence of an arrangement exists, (2) services are performed, (3) the sales price is fixed or determinable, and (4) collectability is reasonably assured.

Recruitment Revenue

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. Recruitment revenue includes revenue recognized from direct sales to customers for recruitment services and events as well as revenue from LinkedIn and the Company's direct ecommerce sales.

Consumer Advertising and Consumer Marketing Solutions Revenue

The Company provides career opportunity services to our various partner organizations and, up through October 9, 2014, to Apollo Group through advertising and job postings on their websites. We work with our partners to develop customized websites and job boards where the partners can generate advertising, job postings and career services to their members, students and alumni. Revenue for the Apollo Group was recognized ratably over the life of the contract. Partner revenue is recognized as jobs are posted to their hosted sites.

Membership Fees and Related Services

Membership fees are collected up-front and member benefits become available immediately; however those benefits must remain available over the 12 month membership period. At the time of enrollment, membership fees are recorded as a liability under deferred revenue and are recognized as revenue ratably over the 12 month membership period. Members who are enrolled in an annual payment plan may cancel their membership in the program at any time and receive a partial refund (amount remaining in deferred revenue) or due to consumer protection legislation, a full refund based on the policies of the member's credit card company.

Revenue from related membership services are derived from fees for development and set-up of a member's personal on-line profile and/or press release announcements. Fees related to these services are recognized as revenue at the time the on-line profile is complete and press release is distributed.

Product Sales and Other Revenue

Products offered to members relate to custom made plaques and an annual registry book. Product sales are recognized as liabilities under deferred revenue at the time the initial order is placed. Revenue is then recognized at the time these products are shipped. The Company's shipping and handling costs are included in cost of sales in the accompanying condensed consolidated statements of comprehensive loss.

Advertising and Marketing Expenses - Advertising and marketing expenses are expensed as incurred or the first time the advertising takes place. The production costs of advertising are expensed the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefit. Direct-response advertising consists primarily of advertising contracts and is amortized over the life of the applicable contract, which, as of September 30, 2014 consisted of one 18 month contract. For the three months ended September 30, 2014 and 2013, the Company incurred advertising and marketing expenses of approximately $442,000 and $202,000, respectively. For the nine months ended September 30, 2014 and 2013, the Company incurred advertising and marketing expenses of approximately $772,400 and $597,000, respectively. These amounts are included in sales and marketing expenses in the accompanying condensed consolidated statements of comprehensive loss. At September 30, 2014 and December 31, 2013, $61,125 and $0, respectively, of advertising costs are recorded in prepaid expenses and other assets in the accompanying condensed consolidated balance sheets.

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 condensed consolidated financial statements for periods prior to March 4, 2013 (the date on which the tax status changed to a C Corporation).

This change in tax status in 2013 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 $1,130,306 and $80,570 being recognized and included in the tax provision for the nine months ended September 30, 2014 and 2013, respectively. The tax benefit was determined using an effective tax rate of 40.6% for the periods ended September 30, 2014 and for the period from March 4, 2013 (the date on which the tax status changed to a C Corporation) to September 30, 2013.

The unaudited pro forma computation of income tax benefit included in the condensed consolidated statements of comprehensive loss, 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. 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.

Fair Value of Financial Assets and Liabilities- Financial instruments, including cash and cash equivalents, short-term investments, 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)

The following table presents a summary of fair value measurements for certain financial instruments measured at fair value on a recurring basis:

Financial Instrument	Level	September 30, 2014	December 31, 2013
Warrant liability	3	$ 106,236	$ 85,221

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 pricing 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 "change in fair value of warrant liability" in the Company's condensed consolidated statements of operations.

As of September 30, 2014, there were no transfers in or out of Level 3 from other levels in the fair value hierarchy.

Net Loss per Share - The Company computes basic net loss per share by dividing net loss 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 per share for the three and nine months ended September 30, 2014 and 2013 excludes the potentially dilutive securities summarized in the table below because their inclusion would be anti-dilutive.

	2014	2013
Warrants to purchase common stock	362,500	131,250
Stock options	366,000	-
	728,500	131,250

Recently Issued Accounting Pronouncements

In July 2013, the FASB issued 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 adopted ASU 2013-11 effective January 1, 2014 and the adoption did not have an impact on the condensed consolidated financial statements but may have an impact in future periods.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (ASU 201-09). ASU 201-09 provides guidance for revenue recognition and affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry-specific guidance. The core principle of ASU 2014-09 is the recognition of revenue when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, companies will need to use more judgment and make more estimates than under the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for fiscal years beginning after December 15, 2016 and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Early adoption is not permitted. The Company is currently evaluating the method and impact the adoption of ASU 2014-09 will have on the Company's condensed consolidated financial statements and disclosures.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation" (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period ("ASU 2014-12"). ASU 2014-12 affects entities that grant their employees share-based payments in which terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the method and impact the adoption of ASU 2014-12 will have on the Company's condensed consolidated financial statements and disclosures.

In August 2014, the FASB, issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The amendments in ASU 2014-15 are effective for annual reporting periods ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company will adopt the methodologies prescribed by ASU 2014-15 by the date required, and does not anticipate that the adoption of ASU 2014-15 will have a material effect on its financial position or results of operations.

Subsequent Events – The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the condensed consolidated financial statements are filed for potential recognition or disclosure. Any material events that occur between the balance sheet date and filing date are disclosed as subsequent events, while the condensed consolidated financial statements are adjusted to reflect any conditions that exist at the balance sheet date. Based upon this review, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements.

4. Acquisition of NAPW

On September 24, 2014 ("the Closing Date"), NAPW, Inc., operator of the National Association of Professional Women, became part of the Company upon the closing of the Company's merger transaction with NAPW Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"), NAPW, Inc., a New York corporation ("Old NAPW"), and Matthew B. Proman, the sole shareholder of Old NAPW ("Mr. Proman"), pursuant to an Agreement and Plan of Merger, dated as of July 11, 2014 (the "Merger Agreement"). In accordance with the terms of the Merger Agreement, on the Closing Date, Old NAPW merged with and into Merger Sub (the "Merger"). As a result of the Merger, the separate corporate existence of Old NAPW ceased and Merger Sub continues as the surviving corporation, a wholly-owned subsidiary of the Company and was renamed "NAPW, Inc."

Pursuant to the Merger Agreement, the Company acquired all issued and outstanding shares of Old NAPW's common stock for an aggregate purchase price consisting of (i) 5,110,975 shares of Common Stock of the Company, which were issued to Mr. Proman, (ii) 959,096 shares of Common Stock, which were issued pursuant to a subscription agreement to Star Jones, NAPW's President and National Spokeswoman, (iii) 239,774 shares of Common Stock, which were issued pursuant to a subscription agreement to Christopher Wesser, NAPW's General Counsel (together with the shares issued to Mr. Proman and Ms. Jones, the "Merger Shares"), (iv) cash of $3,555,000, (v) a promissory note in the original principal amount of $445,000 payable to Mr. Proman (see Note 7) (vi) an option for Mr. Proman to purchase 183,000 shares of the Company's Common Stock at a price of $3.45 per share (see Note 11), (vi) a warrant for Mr. Proman to purchase 50,000 shares of the Company's Common Stock at a price of $4.00 per share (see Note 11) and (vii) a warrant for Mr. Proman to purchase 131,250 shares of the Company's Common Stock at a price of $10.00 per share (see Note 11).

As a condition to the closing of the Merger, Messrs. Proman and Wesser, Ms. Jones and the Company entered into a registration rights and lock-up agreement (the "Registration Rights Agreement"), pursuant to which the Company is required, not later than nine months following the closing date, to file a shelf registration statement on Form S-3 with the SEC with respect to the Merger Shares issued in connection with the Merger. The Company is further required to use its best efforts to have such registration statement declared effective not later than 12 months following the Closing Date and kept effective until the earlier of three years thereafter or when each of the parties to the Registration Rights Agreement (other than the Company) can sell all of his or her shares without the need for current public information or other restriction pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). Under the terms of the Registration Rights Agreement, each of Messrs. Proman and Wesser and Ms. Jones (collectively, the "NAPW Affiliates") agreed not, without the consent of the Company, to offer to sell, sell or otherwise dispose of, or encumber any shares of the Company's Common Stock received by such person in connection with the Merger during the 12 months following the Closing Date, except under certain circumstances.

In connection with the Merger, the Company paid Aegis Capital Corp. ("Aegis"), financial advisor to the Company, a fee of $100,000 for rendering and delivering its fairness opinion to the Board of Directors. The Company also paid Aegis a fee of $374,000 on the Closing Date as consideration for providing financial advisory services to the Company in connection with the Merger and issued to affiliates of Aegis a warrant to purchase 50,000 shares of the Company's Common Stock at an exercise price of $4.00 per share (see Note 11)

Professional Diversity Network provides NAPW members with direct access to employers seeking to hire professional women at a high level of connectivity and efficiency. The Merger enables the Company to match members with its employment partners, and then converse with the member to confirm such member's desire to take the position the Company matched them to, confirm such member is qualified for the position and directly notify the employer about a member that the Company has qualified and confirmed has completed an application within the employer's recruitment system.

The acquisition was accounted for under the acquisition method of accounting, whereby the Company was treated as the acquirer and NAPW was treated as the acquired company. This determination was primarily based on the Company's majority representation on the Board of Directors, the Company comprising key management positions of the Company, and the fact that the Company paid a premium for the equity interests in NAPW. Accordingly, the acquired assets and assumed liabilities of NAPW were recorded at their estimated fair values, and operating results for NAPW are included in the condensed consolidated financial statements from the effective date of acquisition of September 24, 2014.

The preliminary allocation of the purchase price is summarized as follows:

Fair value of common stock issued (6,309,845 shares)	$ 35,272,033
Cash paid	3,555,000
Promissory note issued	434,582
Stock options issued (183,000 options)	556,496
Common stock purchase warrants issued (181,250 warrants)	294,342
Total consideration	40,112,453
Allocated to:	
Cash and cash equivalents	$ 5,198
Accounts receivable	353,377
Incremental direct costs	931,126
Prepaid expenses and other current assets	297,904
Property and equipment	795,618
Security deposits	342,190
Merchant reserve	1,528,558
Other assets	10,000
Accounts payable	(6,153,564)
Accrued expenses	(1,804,624)
Deferred revenue	(8,880,000)
Deferred tax liability	(5,836,250)
Merchant cash advances	(447,371)
Capital lease obligations	(22,397)
Net liabilities assumed	(18,880,235)
Excess of purchase price over net liabilities assumed before allocation to identifiable intangible assets and goodwill	$ 58,992,688

The fair value of deferred revenue was determined to be $8,880,000, based upon management's estimate of how much it would cost to transfer the liability. The liability is measured as the direct, incremental cost to fulfill the legal performance obligation, plus a reasonable profit margin. Because this acquisition was a stock purchase for tax purposes, the Company did not obtain a stepped-up tax basis in NAPW's assets. A deferred tax liability of $5,836,250 was established as part of the acquisition accounting to reflect the income tax effect of the fair value of the acquired intangible assets. The deferred tax liability was calculated using a 40.6% effective tax rate. Management has also made the initial determination that the fair values of substantially all other assets acquired and liabilities assumed are approximately equal to their recorded cost. While a final determination of the value of the identifiable intangibles has not been completed, management has made an initial determination that approximately $14,375,000 of the excess of the purchase price over the net liabilities assumed should be allocated to identifiable intangible assets. The unidentified excess of the purchase price over the fair value of the net liabilities assumed has been recorded as goodwill.

	Amount	Estimated Useful Life (Years)
Sales Process	$ 3,440,000	10
Paid Member Relationships	890,000	5
Member Lists	8,957,000	5
Developed Technology	648,000	3
Trade Name/Trademarks	440,000	4
Amortizable Intangible Assets	14,375,000	
Goodwill	44,617,688	
	$ 58,992,688	

Goodwill arising from the acquisition mainly consists of the synergies of enhanced recruitment solutions for the Company's diverse client base. The Company's goodwill is not deductible for tax purposes. Goodwill and intangible assets are subject to a test for impairment on an annual basis.

The Company incurred legal and other costs related to the transaction of approximately $968,839, which is reflected as acquisition related costs in the accompanying condensed consolidated statements of comprehensive loss during the three and nine months ended September 30, 2014.

Total revenues and income from continuing operations since the date of the acquisition of NAPW, included in the condensed consolidated statements of comprehensive loss for the three months ended September 30, 2014, are $413,792 and $64,519, respectively.

The following unaudited consolidated pro forma information gives effect to the acquisition of NAPW as if this transaction had occurred on January 1, 2013. The following pro forma information is presented for illustration purposes only and is not necessarily indicative of the results that would have been attained had the acquisition of NAPW been completed on January 1, 2013, nor are they indicative of results that may occur in any future periods.

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2014	2013	2014	2013
Revenues	$ 7,568,509	$ 6,457,383	$22,317,767	$17,160,653
Net loss	$ (212,970)	$ (1,235,674)	$ (2,718,067)	$ (4,874,809)
Net loss per share:				
Basic and diluted	$ (0.02)	$ (0.10)	$ (0.22)	$ (0.39)
Weighted average shares outstanding:				
Basic and diluted	12,619,690	12,627,930	12,623,019	12,628,072

5. Capitalized Technology

Capitalized Technology, net is as follows:

	September 30, 2014	December 31, 2013
Capitalized cost:		
Balance, beginning of period	$ 1,289,099	$ 734,291
Additional capitalized cost	125,291	354,808
Purchased technology	-	200,000
Balance, end of period	$ 1,414,390	$ 1,289,099
Accumulated amortization:		
Balance, beginning of period	$ 596,588	$ 331,401
Provision for amortization	258,747	265,187
Balance, end of period	$ 855,335	$ 596,588
Capitalized Technology, net	$ 559,055	$ 692,511

Amortization expense of $84,614 and $61,855 for the three months ended September 30, 2014 and 2013, respectively, and $258,747 and $169,475 for the nine months ended September 30, 2014 and 2013, respectively, is recorded in depreciation and amortization expense in the accompanying condensed consolidated statements of comprehensive loss.

6. Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2014	December 31, 2013
Acquisition related costs	$ 995,579	$ -
Cost of services	128,363	10,546
Payroll liabilities	162,905	41,930
Merchant processing fees	64,674	-
Franchise and other taxes	54,367	-
Sales and marketing	48,340	11,250
Deferred rent	6,966	13,932
Consulting	-	60,000
Deferred payment from acquisition	-	25,000
Other	129,056	25,804
	$ 1,590,250	$ 188,462

7. Note Payable – Related Party

On the Closing Date of the Merger, the Company issued Mr. Proman a promissory note in the amount of $445,000 (the "Promissory Note"). Mr. Proman was formerly the Chairman and Chief Executive Officer of Old NAPW and, subsequent to the Merger, is now the Company's Executive Vice President and Chief Operating Officer. The Note matures on August 15, 2015, has an annual interest rate of 0.35% and is due and payable in quarterly installments of $137,500 on each of November 15, 2014, February 15, 2015, May 15, 2015, with a final payment of $32,500 payable on August 15, 2015. However, if NAPW (on a stand-alone basis) on any payment date fails to meet certain performance criteria as of the end of the fiscal quarter then most recently ended with respect to gross revenue and net cash from operations, then the Company's obligation to make payment of principal and accrued interest on that date will be deferred to the next payment date that follows the next fiscal quarter end during which NAPW is able to meet such performance criteria, and the maturity date shall be correspondingly extended until such time as the note may be repaid in full. If NAPW (on a stand-alone basis) on any payment date, as of the end of the fiscal quarter then most recently ended, satisfies the gross revenue performance criteria, but fails to satisfy the cash flow performance criteria, then the Company will only be required to make payments of interest and principal to the extent the Company's excess cash flow permits. The Promissory Note is not convertible or exchangeable for shares of the Company's Common Stock, is unsecured and may be prepaid, in full or in part, at any time by the Company without premium or penalty. The amounts owing under the Promissory Note may be accelerated upon the occurrence of an event of default. NAPW did not meet the specified performance criteria for the quarter ended September 30, 2014. Accordingly, payment of the $137,500 due to Mr. Proman on November 15, 2014 will be deferred until February 15, 2015.

The stated interest rate of the Note is 0.35%, which was determined to be below the Company's expected borrowing rate of 4.80%, therefore the Note was discounted by $10,418 using a 4.45% imputed annual interest rate. The discount is being amortized over the term of the Note and will be recorded as interest expense in the condensed consolidated statements of comprehensive loss.

8. Commitments and Contingencies

Employment Agreements

On the Closing Date, the Company entered into new employment agreements with James Kirsch, the Company's current Chairman and Chief Executive Officer, David Mecklenburger, the Company's current Chief Financial Officer and Secretary, Matthew Proman, Star Jones and Christopher Wesser (each such agreement, an "Employment Agreement," and collectively, the "Employment Agreements"). Messrs. Kirsch, Mecklenburger, Proman and Wesser, and Ms. Jones, are collectively referred to as the "Executives."

The Employment Agreement with Mr. Kirsch provides that he will receive an annual base salary of $275,000 and the Employment Agreement with Mr. Mecklenburger provides that he will receive an annual base salary of $200,000. Mr. Proman will serve as the Company's Executive Vice President and Chief Operating Officer and receive an annual base salary of $275,000. Ms. Jones will serve as the Company's President, Chief Development Officer, and National Spokesperson and receive an annual base salary of $300,000. Mr. Wesser will serve as the Company's Executive Vice President and General Counsel and receive an annual base salary of $250,000.

Each Employment Agreement provides the Executive with an initial term of three years that automatically renews for successive one year terms unless either party provides advance written notice of its intention to terminate the Employment Agreement. Mr. Kirsch's and Mr. Mecklenburger's base salaries will be automatically increased annually by the greater of 3% of their then current base salary or the annual percentage increase in the Consumer Price Index. If Mr. Kirsch's role changes such that he is no longer the Chief Executive Officer, his three year term will automatically be renewed and continue for another three years after the date of the change in role. Should such a change in role occur, his base salary cannot be reduced below his then current base salary immediately prior to the change in role

The Employment Agreements provide that each Executive will be eligible for an annual bonus and have his or her salary reviewed each year by the Board of Directors. In addition, the Executives will be reimbursed for all reasonable business expenses incurred in the ordinary course of business and taking into consideration each such Executive's unique responsibilities within the Company. The Employment Agreements also generally permit the Executives to participate in all benefits plans and programs offered by the Company.

Under the terms of the Employment Agreements, each Executive is subject to a non-competition, non-interference and non-raiding restrictive covenant during their employment and 18 months following Executive's last day of employment with the Company. In the event that an Executive's employment is terminated without "Cause" or the Executive resigns for "Good Reason" (as those terms are defined by the Employment Agreements), the post-employment restrictive covenant period may not extend past the severance period (as described below). The Employment Agreements also contain customary confidentiality, work product and return of Company property covenants.

The Employment Agreements provide each Executive with severance pay in the event that such Executive is terminated without "Cause" or resigns for "Good Reason." Upon such a termination of employment, such Executive is entitled to continue to receive such Executive's monthly salary at his or her then current rate for the greater of six months or the number of remaining whole months in such Executive's term (whether the initial term or an extension). Finally, the Employment Agreements between the Company and each of Ms. Jones and Mr. Wesser also provide that such Executives will become immediately fully vested in any unvested shares of restricted stock granted in connection with the Merger upon their termination without "Cause" or their resignation for "Good Reason."

Aggregate potential severance compensation amounted to approximately $3.9 million at September 30, 2014.

Lease Obligations - The Company leases office space, office furniture and equipment under operating lease agreements.

The Company leases an office for its headquarters in Illinois, an office space for its events business in Minnesota and three sales and administrative offices under non-cancelable lease arrangements that provide for payments on a graduated basis with various expiration dates.

Rent expense, amounting to $45,617 and $10,739 for the three months ended September 30, 2014 and 2013, respectively, and $91,193 and $54,985 for the nine months ended September 30, 2014 and 2013, respectively, is included in general and administrative expense in the condensed consolidated statements of comprehensive loss.

Future annual minimum payments due under the leases are summarized as follows:

Year ending December 31,	
2014 (three months)	$ 379,233
2015	1,502,636
2016	1,491,593
2017	1,543,918
2018	1,356,740
Thereafter	303,560
	$ 6,577,680

Legal Proceedings

NAPW, Inc., the Company's wholly-owned subsidiary and successor by merger to Old NAPW, is a defendant in the related cases of *Constantino v. NAPW, Inc.*, No. 0000074/2013 (Sup. Ct., Nassau Co.), filed in the County Court for Nassau County, New York, and *DeLisi, et al. v. NAPW, Inc.*, No. 2:13-CV-05322 (E.D.N.Y.), filed in federal court for the Eastern District of New York. These cases involve allegations made by four former employees of same sex sexual harassment by a female sales manager over a period of several years. Upon learning of these allegations, which came only after the employees involved were terminated for cause, Old NAPW engaged an independent investigator that conducted an investigation and returned a conclusion that the allegations were unfounded. Both cases are in the early stages of discovery. At this time, the Company does not have an estimate of the likelihood or the amount of any potential exposure. The outcome of these lawsuits is uncertain. The Company believes that the claims asserted in each suit are without merit and intends to defend itself vigorously against the claims.

9. 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 option pricing 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 pricing model and the following assumptions on the following dates:

	September 30, 2014	December 31, 2013
Strike price	$ 10.00	$ 10.00
Market price	$ 5.05	$ 4.61
Expected life	4.42 years	5.17 years
Risk-free interest rate	1.62%	0.86%
Dividend yield	0.00%	0.00%
Volatility	41%	39%
Warrants outstanding	131,250	131,250
Fair value of warrants	$ 106,236	$ 85,221

The fair value of the warrant liability increased to $106,236 at September 30, 2014 from $85,221 at December 31, 2013. Accordingly, the Company increased the warrant liability by $21,015 to reflect the change in the fair value of the warrant instruments for the nine month ended September 30, 2014, which is included in the accompanying condensed consolidated statements of comprehensive loss. 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	$ (85,221)
Increase in net value of warrant liability	(21,015)
Ending balance	$ (106,236)

10. Stockholders' Equity

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.

Common Stock – The Company has one class of common stock outstanding with a total number of shares authorized of 25,000,000. As of September 30, 2014, the Company had 12,619,690 shares of common stock outstanding.

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 could repurchase up to $1 million of its outstanding common stock. The program was renewed by the Board of Directors on November 30, 2013 for an additional six-month period expiring on May 31, 2014. The repurchases under the program were permitted to be made from time to time at prevailing market prices in open market or privately negotiated transactions, depending upon market conditions. The manner, timing and amount of any repurchases were determined by the Company based on an evaluation of market conditions, stock price and other factors. Under the program, the purchases were funded from available working capital, and the repurchased shares are held in treasury. The program did not obligate the Company to acquire any particular amount of common stock. As of September 30, 2014, the Company had acquired 8,382 shares of its outstanding common stock in exchange for $37,117. The share repurchase has been recorded as treasury stock, at cost, in the accompanying condensed consolidated balance sheets at September 30, 2014 and December 31, 2013. The Company acquired 6,182 shares during the nine months ended September 30, 2014 in exchange for $25,862.

11. Stock-Based Compensation

Equity Incentive Plans – Prior to the consummation of our IPO, 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 IPO.

Stock Options

The following table summarizes the Company's stock option activity for the nine months ended September 30, 2014:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding - December 31, 2013	-	$ -	-	$ -
Granted in compensatory arrangements	187,000	3.45		
Issued as Merger consideration	183,000	3.45		
Exercised	-	-		
Forfeited or Canceled	(4,000)	(3.45)		
Outstanding – September 30, 2014	366,000	$ 3.45	9.6	$ 585,600
Exercisable – September 30, 2014	183,000	3.45	9.8	$ 292,800

A summary of the changes in the Company's unvested stock options is as follows:

	Number of Options	Weighted Average Grant Date Fair Value
Unvested - December 31, 2013	-	$ -
Granted in compensatory arrangements	187,000	1.65
Issued as Merger consideration	183,000	3.04
Vested	(183,000)	(3.04)
Forfeited or Canceled	(4,000)	1.65
Unvested – September 30, 2014	183,000	$ 1.65

On March 31, 2014, the Company granted 187,000 stock options to certain directors, senior management and employees for future services. These options had a fair value of $308,350 using the Black-Sholes option-pricing model with the following assumptions:

Risk-free interest rate	2.02%
Expected dividend yield	0.00%
Expected volatility	48.14%
Expected term	6 years

The options are exercisable at an exercise price of $3.45 per share over a ten-year term and vest over three years. The Company recorded $24,597 and $50,292 as compensation expense during the three and nine months ended September 30, 2014, respectively, pertaining to this grant.

As discussed in Note 4, the Company issued 183,000 stock options to Mr. Proman as part of the Merger Consideration in connection with the acquisition of NAPW. These options had a fair value of $556,496 using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate	1.82%
Expected dividend yield	0.00%
Expected volatility	41.5%
Expected term	5 years

The options are fully vested and exercisable at an exercise price of $3.45 per share over a ten year term. The Company included the fair value of the options of $556,496 as part of the consideration paid in connection with the acquisition of NAPW.

Total unrecognized compensation expense related to unvested stock awards at September 30, 2014 amounts to $251,462 and is expected to be recognized over a weighted average period of 2.50 years.

Warrants

A summary of warrant activity for the nine months ended September 30, 2014 is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding - December 31, 2013	131,250	$ 10.00	5.2	$ -
Granted	231,250	7.41		
Exercised	-	-		
Forfeited or Canceled	-	-		
Outstanding – September 30, 2014	362,500	$ 8.34	4.8	$ 105,000
Exercisable – September 30, 2014	131,250	10.00	4.4	$ -

A summary of the changes in the Company's unvested warrants is as follows:

	Number of Warrants	Weighted Average Grant Date Fair Value
Unvested - December 31, 2013	-	$ -
Granted	231,250	7.41
Vested	(231,250)	(1.87)
Forfeited or Canceled	-	-
Unvested – September 30, 2014	-	$ -

As discussed in Note 4, the Company granted 181,250 warrants to Mr. Proman as part of the Merger Consideration in connection with the acquisition of NAPW. These warrants had a fair value of $294,342. In addition, the Company granted 50,000 warrants to Aegis for financial advisory services rendered in connection with the NAPW acquisition. These warrants had a fair value of $138,768.

The fair value of the warrants was determined using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate	1.82%
Expected dividend yield	0.00%
Expected volatility	41.5%
Expected term	5 years

The warrants are fully vested, are exercisable one year from the date of grant and have a five year term. Of the warrants granted, 100,000 are exercisable at an exercise price of $4.00 per share and 131,250 warrants are exercisable at an exercise price of $10.00 per share. The Company included the fair value of the warrants granted to Mr. Proman of $294,342 as part of the consideration paid in connection with the acquisition of NAPW. The fair value of the warrants granted to Aegis Capital of $138,768 has been recorded as acquisition related costs in the accompanying condensed consolidated statements of comprehensive loss for the three and nine months ended September 30, 2014.

12. Customer Concentration

The Company's revenues were historically highly dependent on two customers: LinkedIn and the Apollo Group. The Company anticipates that the end of its reseller relationship with LinkedIn and the Apollo Group will materially and adversely affect the Company's business, operating results and financial condition. As discussed below, our agreement with LinkedIn terminated on March 29, 2014 and our agreement with the Apollo Group terminated on October 9, 2014.

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

	Percentage of Revenue During the Three Months Ended September 30,		Percentage of Revenue During the Nine Months Ended September 30,		Percentage of Accounts Receivable at	
	2014	2013	2014	2013	September 30, 2014	December 31, 2013
LinkedIn	0%	51%	13%	52%	12%	41%
Apollo	22%	36%	27%	38%	23%	19%

Recruitment Revenue

On November 12, 2012, we entered into a diversity recruitment partnership agreement with LinkedIn, which became effective on January 1, 2013 and terminated on March 29, 2014. Pursuant to our agreement, LinkedIn could resell diversity-based job postings to its customers, as well as 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 could have earned commissions for sales of our services by LinkedIn in excess of certain thresholds. As a result of the termination of the agreement, LinkedIn is no longer a reseller of our products or services and we no longer receive the fixed quarterly payments of $500,000 or have the potential to earn additional commission revenue from LinkedIn. Also, as part of the termination agreement, we no longer have post termination restrictions on our ability to sell any employers our diversity recruitment services. Additionally, 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. We did not earn a commission from LinkedIn during the three and nine months ended September 30, 2014 and 2013. Our revenue derived from the LinkedIn contract during the three months ended September 30, 2014 and 2013 was $0 and $500,000, respectively, and $494,444 and $1,500,000 for the nine months ended September 30, 2014 and 2013, respectively.

On September 30, 2013, the Company enhanced its diversity recruitment offerings by acquiring Personnel Strategies, Inc. (“PSI”), a company that had been operating diversity focused job fairs throughout the United States for over 20 years. PSI is now being operated as the events division of the Company, 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 $236,295 and $0 for the three months ended September 30, 2014 and 2013, respectively, and $481,426 and $0 for the nine months ended September 30, 2014 and 2013, respectively.

On June 30, 2014, the Company entered into Licensing Agreements with AudioEye, Inc. which gives the Company certain rights to market, sell, distribute and incorporate into its services the proprietary software product known as Audio Internet within the United States to its current and future customers. Audio Internet is a technology that utilizes patented architecture to deliver a fully accessible audio equivalent of a visual website or mobile website in a compliant format that can be navigated, utilized, interacted with and transacted from without the use of a monitor or mouse.

The first licensing agreement (“First Agreement”) allows the Company to sell the products to customers in the private sector, corporate and enterprise online jobs posting and e-recruiting markets. The First Agreement specifically excludes sales to SAP AG and Monster Worldwide, Inc. The First Agreement gives the Company exclusive rights to sell within the United States for the first twelve months and on a non-exclusive basis thereafter. The Company paid AudioEye, Inc. a license fee of $225,000 for the license and agreed to pay a royalty fee of 12% of revenue generated from the sales and/or licensing of the Audio Internet product. The $225,000 license fee has been recorded as prepaid license fee in the accompanying condensed consolidated balance sheet at September 30, 2014 and is being amortized over the twelve month term of the First Agreement.

The second licensing agreement (“Second Agreement”) allows the Company to sell the products to customers that are Federal, State or local governmental entities (excluding SAP AG and Monster Worldwide, Inc.) within the United States on an exclusive basis for the first twelve months and a non-exclusive basis thereafter. The Company paid AudioEye, Inc. a license fee of $225,000 for the license and agreed to pay a royalty fee of 12% of revenue generated from the sales and/or licensing of the Audio Internet product. The $225,000 license fee has been recorded as prepaid license fee in the accompanying condensed consolidated balance sheet at September 30, 2014 and is being amortized over the twelve month term of the Second Agreement.

In addition the Company entered into a two year Sales Representation Agreement with AudioEye, Inc. which designates the Company as the exclusive agent of the product within the markets for twelve months and a non-exclusive agent thereafter. AudioEye, Inc. paid the Company a non-refundable service fee of $450,000 for marketing and sales services and agreed to pay a commission of 25% of gross service and support fees billed to the end users by AudioEye, Inc. The $450,000 payment from AudioEye, Inc. has been recorded as customer deposits in the accompanying condensed consolidated balance sheet at September 30, 2014 and is being amortized over the twelve month term of the Sales Representation Agreement.

Consumer Advertising and Consumer Marketing Solutions Revenue

On September 9, 2014, the Company received written notice from Apollo Group of Apollo Group's voluntary termination without cause of the Apollo Agreement., effective October 9, 2014.

The Apollo Agreement provided that Apollo Group pay a fixed monthly fee of $116,667 for the following services provided by the Company to 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 services that the Company provided to Apollo Group were unique to that relationship and are not core to the Company's membership success mission. The Company will not incur or pay any early termination penalties in connection with the termination of the Apollo Agreement. During the entire term of the Apollo Agreement, the Company was never notified of a default or a violation of its service level agreements. The Company recognized revenue under this agreement in the amount of $350,000 during the three months ended September 30, 2014 and 2013 and $1,050,000 during the nine months ended September 30, 2014 and 2013.

13. Segment Information

Since the Merger with NAPW on September 24, 2014, the Company operates in two segments: (i) PDN Network and (2) NAPW Network, which are based on its business activities and organization. The operating segments are segments of the Company for which separate discrete financial information is available and for which operating results are evaluated regularly by the chief operating decision makers, made up of the Company's executive management team, in deciding how to allocate resources, as well as in assessing performance. The Company evaluates the performance of its operating segments primarily based on revenues and operating income or loss from operations. The PDN Network segment consists of online professional networking communities dedicated to serving diverse professionals in the United States and employers seeking to hire diverse talent. The NAPW Network consists of the women-only professional networking organization dedicated to helping its members develop their professional networks, further their education and skills and promote their businesses and career accomplishments.

The following tables present key financial information of the Company's reportable segments as of and for the three and nine months ended September 30, 2014:

	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	PDN Network	NAPW Network	Consolidated	PDN Network	NAPW Network	Consolidated
Recruitment services	$ 712,728	$ -	$ 712,728	$ 2,114,178	$ -	$ 2,114,178
Consumer advertising and consumer marketing solutions revenue	448,860	-	448,860	1,317,351	-	1,317,351
Membership fees and related services	-	402,397	402,397	-	402,397	402,397
Product sales and other revenue	-	11,395	11,395	-	11,395	11,395
Total revenues	1,161,588	413,792	1,575,380	3,431,529	413,792	3,845,321
(Loss) income from operations	(610,633)	27,861	(582,772)	(1,954,713)	27,861	(1,926,852)
Depreciation and amortization	89,816	40,249	130,065	274,370	40,249	314,619
Income tax (benefit) expense	(628,876)	11,159	(617,717)	(1,141,465)	11,159	(1,130,306)
Capital expenditures	1,703	-	1,703	13,300	-	13,300
Net (loss) income	(957,353)	16,326	(941,027)	(1,708,056)	16,326	(1,691,730)
	At September 30, 2014					
Goodwill	$ 735,328	$ 44,617,688	$ 45,353,016			
Intangible assets, net	90,400	14,338,342	14,428,742			
Total assets	14,021,170	63,349,113	77,370,283			

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

*The following discussion should be read in conjunction with our Unaudited Financial Statements, including the notes to those statements, included elsewhere in this Quarterly Report. This section and other parts of this Quarterly Report on Form 10-Q (this "**Quarterly Report**") contain forward-looking statements within the meaning of Section 27A of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 concerning our future results of operations and financial position, business strategy and plans and our objectives for future operations. 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 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 Quarterly 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. Such risks and uncertainties include, among others, those discussed in "Item 1A - Risk Factors" of our Annual Report on Form 10-K as filed with the SEC on March 27, 2014, as well as in our condensed financial statements, related notes, and the other financial information appearing elsewhere in this Quarterly Report and our other filings with the Securities and Exchange Commission, or the SEC. These factors could cause actual results to differ materially from the results anticipated by these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. The forward-looking statements in this Quarterly Report speak only as of the date they were made. We do not intend, and undertake no obligation, to update any of our forward-looking statements to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.*

*Unless we specify otherwise, all references in this Quarterly Report to "**we**," "**our**," "**us**" and the "**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 Quarterly 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 Quarterly 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

The Company is both the operator of the Professional Diversity Network (the "**PDN Network**," "**PDN**" or the "**Professional Diversity Network**") and a holding company for NAPW, Inc., a wholly-owned subsidiary of the Company and the operator of the National Association of Professional Women (the "**NAPW Network**" or "**NAPW**"). The NAPW Network became part of the Company on September 24, 2014 upon the closing of the Company's previously announced merger transaction with NAPW Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("**Merger Sub**"), NAPW, Inc., a New York corporation ("**Old NAPW**"), and Matthew B. Proman, the sole shareholder of Old NAPW ("**Proman**"), pursuant to an Agreement and Plan of Merger, dated as of July 11, 2014 (the "**Merger Agreement**"). In accordance with the terms of the Merger Agreement, on the Closing Date, Old NAPW merged with and into Merger Sub (the "**Merger**"). As a result of the Merger, the separate corporate existence of Old NAPW ceased and Merger Sub continues as the surviving corporation, a wholly-owned subsidiary of the Company and was renamed "NAPW, Inc."

The NAPW Network. The NAPW Network is a for-profit membership organization for professional women that the Company believes, with approximately 600,000 members, is the most prominent women-only professional networking organization in the United States. Members of the NAPW Network enjoy a wealth of resources dedicated to developing their professional networks, furthering their education and skills and promoting their businesses and career accomplishments. We provide NAPW Network members with opportunities to network and develop valuable business relationships with other professionals through NAPW's website, as well as at events hosted at hundreds of local chapters across the United States. Through the NAPW Network website, members are able to create, manage and share their professional identity online, build and engage with their professional network and promote themselves and their businesses. In addition to online networking, NAPW Network members can participate in a number of local events held across the United States, including monthly chapter meetings, business expos, charitable events and other events developed specifically to facilitate face-to-face networking with other professional women. NAPW has historically sponsored, and the Company expects to continue to sponsor, a National Networking Conference hosted by Star Jones, the Company's President, that provides participants the opportunity to network with other members, hear presentations from keynote speakers and participate in break-out sessions.

NAPW Network members can also promote their career achievements and their businesses through placement on the NAPW Network website's home page, in proprietary press releases, in the online Member Marketplace and in monthly newsletter publications. In addition to networking and promotional opportunities, NAPW Network members are also provided with the ability to further develop their skills and expand their knowledge base through monthly newsletters, online and in-person seminars, webinars and certification courses. NAPW Network Members are also provided exclusive discounts on third-party products and services through partnerships with valuable brands that include Lenovo personal computers and GEICO insurance.

The PDN Network. The PDN Network operated by the Company consists of online professional networking communities dedicated to serving diverse professionals in the United States and employers seeking to hire diverse talent. Our networking communities harness our relationship recruitment methodology to facilitate and empower professional networking within common affinities. We believe that those within a common affinity often are more aggressive in helping others within their affinity progress professionally. The Company operates these relationship recruitment affinity groups within the following sectors: Women, Hispanic-Americans, African-Americans, Asian-Americans, Disabled, Military Professionals, Lesbians, Gay, Bisexual and Transgender (LGBT), and Student and Graduates seeking to transition from education to career. Our online platform provides employers a means to identify and acquire diverse talent and assist them with their efforts to comply with the Equal Employment Opportunity-Office of Federal Contract Compliance Program ("**OFCCP**").

As of September 30, 2014, the Company had approximately 3,211,000 PDN Network registered users. We expect that continued membership growth of the PDN Network 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 in an OFCCP compliant manner to career agencies, including those of state and local governments. During the nine months ended September 30, 2014, the PDN Network added over 565,000 PDN Network registered users representing an increase of total registered users of 21.4% from December 31, 2013.

We currently provide registered PDN Network users with access to our websites at no cost, a strategy which 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.

The Company continues to expand its relationships with key strategic alliances that we believe are valuable to our core clients. 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, National Able Veterans Exchange, Leave No Veteran Behind, 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. New marquis partnerships have been entered into with the National Association of African Americans in Human Resources, The Grio and the National Association of Women MBAs. 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.

Complimentary and Mutually Beneficial Combination of the NAPW Network and the PDN Network

The PDN Network provides NAPW Network members with direct access to employers seeking to hire professional women at a high level of connectivity and efficiency. The Merger enables the Company to match members with our employment partners, and then converse with the member to confirm such member's desire to take the position we matched them to, confirm such member is qualified for the position and directly notify the employer about a member that we have qualified and confirmed has competed an application within the employer's recruitment system. The PDN Network's Diversity Source and Qualify ("**DSQ**") product delivers enhanced membership value to those members seeking to reenter the workforce or to upgrade their professional employment condition. This benefit comes at no additional costs to members, reinforcing the membership value proposition and creating long-term value. In additional to DSQ, Professional Diversity Network provides alternative values to members who are employed or are seeking employment, including, but not limited to, our resume optimizing services, our semantic search job alerts and a new professional networking platform based upon PDN's award winning core networking technology, which platform is expected to be available in December of 2014.

For those members who are self-employed, the PDN Network is launching a "NAPW Certified Women-Owned Business" program that will include an online marketplace for companies to source services from an NAPW Certified Women-Owned Business.

In 2015, NAPW expects to host 18 networking events around the nation, all in major markets, like New York, Boston, Washington, DC, Chicago and Los Angeles. These events will leverage the existing PDN events platform from which we will have conducted over 20 career-networking events in 2014 by the end of the year. Because the PDN networking career events are already being conducted, we have the ability to add an additional event for NAPW at the same venue, one hour after the PDN event ends, at a substantially lower cost than hosting a stand-alone NAPW event. Employers who sponsor the PDN career networking events will have the opportunity to participate in the NAPW event and meet with members to discuss employment opportunities in what we believe is an inviting and upscale networking environment. We believe that providing the opportunity for NAPW members to meet, outside of the monthly local chapter events and the single national event NAPW hosts, will add additional value to all NAPW members. That is, instead of attending one national event in New York, as was the case in 2014, in 2015 NAPW Network members will be able to attend any or all of our 18 PDN Network events, at no additional cost, and non-members may attend one event per year at a cost of $60 to $400, depending on the event.

Collectively, these PDN products and services are being deployed to provide enhanced value to the NAPW membership experience, which we believe will be an important component in increasing both the number of new memberships and renewals of existing memberships.

In a similar manner, NAPW provides PDN with an enhanced value proposition to our corporate recruitment business partners by providing a unique talent source of engaged and professional women. The same DSQ service that creates value for members by matching them with employers in a high touch manner provides employers with a very desirable candidate in an efficient, resourced and qualified manner. Furthermore, by adding NAPW events after PDN Career Networking Conferences, PDN will have opportunities to market upgrades to the exhibiters who recruit at the PDN events that will allow such exhibiters to participate in the NAPW membership networking event and meet members who may be potential employees for their companies. Exhibiters will be able to receive more exposure to more candidates because of the fact that the NAPW Networking Event will be held after PDN's Career Networking Conference.

Revenue. The Company realized $1,161,588 in total revenue from the PDN Network during the three month period ended September 30, 2014, compared to $979,289 in the same prior year period, representing an increase of 18.6%, attributable primarily to an increase of $345,197 in revenue from direct sales and $236,295 of event revenue, offset by a decrease of $500,000 in our LinkedIn revenue (see below). The sales and marketing team, launched last year at Professional Diversity Network, is executing its sales plan to bring on numerous new direct relationships with employers who seek to recruit diverse talent. We have also experienced early adoption of our OFCCP compliance product services by a number of customers. By combining diversity recruitment advertising with job postings and compliance services, the Company is able to deliver a valuable, cost effective and comprehensive solution for businesses subject to OFCCP compliance.

We generate revenue from our PDN Network 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, either directly or through our legacy LinkedIn reseller agreement. For the nine months ended September 30, 2014, approximately 4.6% of our revenue was transacted online via ecommerce through our proprietary properties and those of our partners. The majority of our PDN Network direct sales are consummated via direct interaction with our diversity recruitment sales professionals.

The NAPW Network realized $413,792 in total revenue for the six days during the period ended September 30, 2014 that the NAPW Network was part of the Company's business. We generate revenue from the NAPW Network through membership subscriptions, the sale of press releases and an annual registry publication. Members pay their annual fees at the commencement of their membership period and benefits become available immediately; however, the revenue is recognized ratably over the 12 month membership period. Membership subscriptions represented approximately 97% of NAPW's revenue for the three and nine months ended September 30, 2014. The Company anticipates that in future periods, the revenue generated from the NAPW Network will be substantially greater than revenue generated from the PDN Network, and will be material to the Company's financial condition and results of operations.

Our primary strategy to increase revenues from the NAPW Network is to expand the NAPW Network's base and create a robust database of information about its key demographic – professional women. We believe that we can do so through the deployment of capital into (i) the NAPW Network's existing member acquisition model, (ii) testing new methods of member acquisition, (iii) key member retention initiatives, (iv) the refinement of existing, and development of additional, NAPW Network member benefits and (iv) our information collection and technology infrastructure.

The Company's revenues from the PDN Network were historically highly dependent on two customers: LinkedIn and Apollo Education Group, Inc. ("**Apollo Group**"). These two customers accounted for 40%, or approximately $1,544,000, of total gross revenues, with LinkedIn representing 13% and Apollo Group representing 27% of total gross revenues for the nine months ended September 30, 2014. The end of the Company's reseller relationship with LinkedIn during the first quarter of 2014, under which LinkedIn previously paid fixed quarterly payments of $500,000 to the Company, has materially and adversely affected the Company's business, operating results and financial condition. During the third quarter of 2014, Apollo Group, the parent company of the University of Phoenix, delivered written notice to the Company of Apollo Group's voluntary termination without cause of the Master Services Agreement, dated October 1, 2012 (the "**Apollo Agreement**"), between the Company and Apollo Group. The termination took effect on October 9, 2014. The Apollo Agreement would have otherwise expired by its terms on February 28, 2015.

The Apollo Agreement provided that Apollo Group paid a fixed monthly fee of $116,667 for the following services provided by the Company to 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 services that the Company provided to Apollo Group were unique to that relationship and are not core to the Company's membership success mission. The termination of the Apollo Agreement is freeing up valuable resources of the Company that will allow it to develop the new networking platform the Company is building for the NAPW Network.

The majority of revenue generated by the PDN Network comes from job recruitment advertising. For the three and nine months ended September 30, 2014, approximately 45% and 55% of our aggregate revenue was generated from recruitment advertising, respectively.

The Company's strategy for the PDN Network is to continue to diversify its customer base and thus its sources of revenue. Our sales and marketing team, newly launched last year, is experiencing meaningful growth in its ability to transact business. As of September 30, 2014, the Company has developed a team of 22 sales and marketing professionals. Revenue recognized from direct sales of all services and events to businesses (exclusive of revenue from LinkedIn and Apollo) was approximately $811,588 and $1,887,085 for the three and nine months ended September 30, 2014, respectively, compared to $129,288 and $286,972 for the three and nine months ended September 30, 2013, respectively, representing an increase of 528% and 558%, respectively.

While we recognize revenue in our financial statements ratably as earned over the lives of the respective contracts we enter into, internally we track gross bookings for services we originate through our direct sales force on a quarterly basis strictly as our performance measurement. Although direct bookings are non-bindng and the revenue derived from such bookings are not recorded in earnings until all of the revenue recognition criteria are met, we consider direct bookings to be a key performance indicator of where we stand against our strategic plan. Direct bookings during the third quarter of 2014 for all services and events were $846,202 (including $197,783 of direct bookings from our events division but excluding Apollo and LinkedIn), compared to $194,296 in the third quarter of 2013, representing an increase of 336%.

Acquisitions

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

As discussed above, on September 24, 2014, we completed our Merger with Old NAPW, resulting in our acquisition of the NAPW Network business. At the effective time of the Merger, all shares of Old NAPW common stock issued and outstanding immediately prior to the effective time of the Merger were converted into and became the right to receive 5,110,975 shares of common stock, par value $0.01 per share ("**Common Stock**"), of the Company, which were issued to Matthew Proman ("**Proman**") as sole shareholder of NAPW. In addition, pursuant to separate subscription agreements, 959,096 shares of Common Stock were issued to Star Jones, then Old NAPW's President and National Spokeswoman, and 239,774 shares were issued to Christopher Wesser, then Old NAPW's General Counsel. Also, at the effective time of the Merger, the Company, as additional consideration, paid to Proman, in cash, $3,555,000 and issued to Proman (i) a promissory note in the original principal amount of $445,000, (ii) an option to purchase 183,000 shares of the Company's Common Stock at a price of $3.45 per share, (iii) a warrant to purchase 50,000 shares of the Company's Common Stock at a price of $4.00 per share and (iv) a warrant to purchase 131,250 shares of the Company's Common Stock at a price of $10.00 per share.

In connection with the Merger, we also paid Aegis Capital Corp. ("**Aegis**"), our financial advisor, a fee of $100,000 for rendering and delivering its fairness opinion to the Board. We also paid Aegis a fee of $373,791 on the Closing Date as consideration for providing financial advisory services to the Company in connection with the Merger and issued to affiliates of Aegis a warrant to purchase 50,000 shares of the Company's Common Stock (the "**Aegis Warrant**"). The Aegis Warrant entitles such Aegis affiliates to purchase 50,000 shares of the Company's Common Stock at an exercise price of $4.00 per share. We also incurred other transaction fees and expenses in connection with the Merger, including, without limitation, fees for legal and accounting services.

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 second quarters of the year and increases during the third and fourth quarters. However, while NAPW sales have slight seasonal variations, generally sales have been slightly slower during summer months and during periods near holidays like Thanksgiving, Christmas and New Year's Eve and New Year's Day, the variations are far less significant than those of PDN's recruitment business. Because NAPW is estimated to generate the majority of revenue for the Company in the foreseeable future, the seasonality of the PDN business will be less significant going forward than in previous quarters.

Costs and Expenses

We maintained a relatively consistent level of expenditures on sales and marketing as a percentage of revenue during the three months ended September 30, 2014 of approximately 63%, compared to approximately 62% for the three months ended September 30, 2013. This is primarily attributable to our investment in building a sales and marketing group that can deliver long-term success. During the three months ended September 30, 2014, the Company also continued its previously initiated plan to terminate the employment of certain members of the sales team and replace them with sales executives experienced in online recruitment. The Company believes that it will benefit from these new team members in the coming months and years. In connection with the termination of the LinkedIn agreement effective March 29, 2014, the Company now has the freedom to sell those 1,000 accounts formerly restricted by the LinkedIn agreement. The Company maintains a business relationship with LinkedIn with respect to certain LinkedIn clients that utilize the Company's OFCCP compliance services.

We believe there are more than 10,000 companies that are potential business partners of the PDN Network. We also believe that our year over year bookings growth of over 336% for the third quarter of 2014 via our direct sales model, while not necessarily indicative of future results, does indicate that our investment in our new sales and marketing team is beginning to have a positive impact on the Company. Building a new team takes time and resources and we believe that our investment in this team now will enable us to diversify our client base, increase our revenue and create value for our shareholders. We feel that the size of the current team is sufficient to grow our direct sales revenues significantly, without further substantial investments in sales personnel.

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.

	Three Months Ended September 30,		Change	Change
	2014	2013	(Dollars)	(Percent)
	(in thousands)			
Revenues				
Recruitment services	$ 713	$ 602	$ 111	18.5%
Consumer advertising and consumer marketing solutions revenue	449	378	71	18.8%
Membership fees and related services	402	0	402	100.0%
Product sales and other revenue	11	0	11	100.0%
Total revenues	1,575	980	595	60.9%
Costs and expenses:				
Cost of services	388	235	153	64.9%
Sales and marketing	992	607	385	63.5%
General and administrative	648	530	118	22.4%
Depreciation and amortization	130	66	64	95.8%
Gain on sale of property and equipment	0	1	(1)	(100.0%)
Total costs and expenses	2,158	1,439	719	50.0%
Loss from operations	(583)	(459)	(124)	26.9%
Other income (expense), net	(941)	(2)	(939)	48856.1%
Change in fair value of warrant liability	(35)	4	(39)	(875.3%)
Income tax benefit	(618)	(185)	(433)	233.2%
Net loss	$ (941)	$ (272)	$ (669)	246.6%

	Nine Months Ended September 30,		Change	Change
	2014	2013	(Dollars)	(Percent)
	(in thousands)			
Revenues				
Recruitment services	$ 2,114	$ 1,693	$ 421	24.9%
Consumer advertising and consumer marketing solutions revenue	1,317	1,183	134	11.4%
Membership fees and related services	402	0	402	100.0%
Product sales and other revenue	11	0	11	100.0%
Total revenues	3,844	2,876	968	33.7%
Costs and expenses:				
Cost of services	1,150	722	428	59.4%
Sales and marketing	2,551	1,638	913	55.7%
General and administrative	1,756	1,478	278	18.8%
Depreciation and amortization	315	182	133	72.5%
Gain on sale of property and equipment	0	(4)	4	(100.0%)
Total costs and expenses	5,772	4,016	1,756	43.7%
Loss from operations	(1,928)	(1,140)	(788)	69.0%
Other income (expense), net	(874)	(143)	(731)	512.6%
Change in fair value of warrant liability	(21)	316	(337)	(106.7%)
Income tax (benefit) expense	(1,130)	(81)	(1,049)	1302.9%
Net loss	$ (1,693)	$ (886)	$ (807)	90.8%

Revenue

The following tables set forth our results of operations for the periods presented as a percentage of revenue for those periods. The period to period comparison of financial results is not necessarily indicative of future results.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Percentage of revenue by product:				
Recruitment services	45%	61%	55%	59%
Consumer advertising and consumer marketing solutions revenue	28%	39%	34%	41%
Membership fees and related services	26%	0%	10%	0%
Product sales and other revenue	1%	0%	0%	0%

Total recruitment services revenue increased 18.5% and 24.9% for the three and nine months ended September 30, 2014, respectively, compared to the same periods in the prior year. Revenue from our recruitment solutions includes $0 and $500,000 for the three months ended September 30, 2014 and 2013, respectively, and $494,000 and $1,500,000 for the nine months ended September 30, 2014 and 2013, respectively, pursuant to our LinkedIn agreement, which expired on March 29, 2014. In September 2013, we purchased the assets of Personnel Strategies, Inc. ("**PSI**"). PSI had been operating diversity focused job fairs throughout the United States for over 20 years and is now being operated as the events division of the Company. Revenues for the three and nine months ended September 30, 2014 includes $236,000 and $481,000, respectively, of revenues generated from our events division. Additionally, during the three months ended September 30, 2014 and 2013, we recognized $430,000 and $85,000, respectively, of revenues related to direct sales of our recruitment services. During the nine months ended September 30, 2014 and 2013, we recognized $961,000 and $154,000, respectively, of revenues related to direct sales of our recruitment services. The increase in direct sales is primarily attributable to the successful execution by our sales and marketing team, of its sales plan to bring on numerous new direct relationships with employers who seek to recruit diverse talent. We have also experienced early adoption of our OFCCP compliance product services by a number of customers. Additionally, direct sales of our recruitment services were positively impacted as a result of our termination agreement with LinkedIn, since we no longer have post termination restrictions on our ability to sell any employers our diversity recruitment services and 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.

Revenue from our consumer advertising and consumer marketing solutions was $449,000 and $1,317,000 for the three and nine months ended September 30, 2014, respectively, compared to $378,000 and $1,183,000 for the three and nine months ended September 30, 2013. The year over year increase was primarily the result of an increase in partner sales, which amounted to $99,000 and $267,000 for the three and nine months ended September 30, 2014, compared to $28,000 and $94,000 for the three and nine months ended September 30, 2013, resulting from the addition of new partners. The revenue from the Apollo Agreement, which consists of a fixed monthly fee of $116,667, remained the same, however as discussed above, on September 9, 2014, Apollo Group delivered written notice to the Company of Apollo Group's voluntary termination without cause of the Apollo Agreement. The termination took effect October 9, 2014. The Apollo Agreement would have otherwise expired by its terms on February 28, 2015.

As noted above, the Company anticipates that in future periods, the revenue generated from the NAPW Network will be greater than revenue generated from the PDN Network, and will be material to the Company's financial condition and results of operations. The Company began investing in sales opportunities and membership benefit services after the close of the Merger on September 24, 2014. We anticipate that these investments, which are a combination of investments that leverage PDN's technology and enhance membership services and support and our consistent, continuing investments in lead generation, will result in an increase in both membership sales in the near, mid and long term as well as an increase in renewals in the mid and long term.

Operating Expenses

Cost of services expense: Cost of services expense increased $153,000 and $429,000 during the three and nine months ended September 30, 2014, respectively, compared to the three and nine months ended September 30, 2013. The increase in cost of services for the three and nine months ended September 30, 2014 was mainly due to $141,000 and $357,000, respectively, of direct costs incurred in connection with our events division and a $2,000 decrease and $19,000 increase in revenue sharing expenses during the three and nine months ended September 30, 2014, respectively.

Sales and marketing expense: Sales and marketing expense for the three months ended September 30, 2014 was $992,000, an increase of $385,000, or 63.5%, compared to $607,000 for the three months ended September 30, 2013. Sales and marketing expense for the nine months ended September 30, 2014 was $2,551,000, an increase of $913,000, or 55.7%, compared to $1,638,000 for the nine months ended September 30, 2013. The increase primarily consisted of an increase of $178,000 and $707,000 for the three and nine months ended September 30, 2014, respectively, in sales and marketing salaries, commissions and benefits.

General and administrative expense: General and administrative expenses increased $118,000 and $278,000 during the three and nine months ended September 30, 2014, respectively, compared to the three and nine months ended September 30, 2013, primarily due to (1) an increase in certain public company expenses, such as directors and officers insurance, investor relations, filing fees, franchise tax fees and registration fees, of $32,000 and $169,000 for the three and nine months ended September 30, 2014, respectively, and (2) stock based compensation expense of $50,000 incurred in connection with the granting of stock options to certain members of management and employees. Additionally, in connection with the acquisition of PSI, we committed to pay the former chief executive officer a minimum additional $100,000 on each of September 30, 2014 and 2015, contingent upon his continued employment with us and divisional results on each of those respective dates. We recorded an expense of $25,000 and $75,000 related to these contingent liabilities during the three and nine months ended September 30, 2014, respectively. The increase was offset by a decrease in professional fees, not related to the acquisition of NAPW, of $53,000 and $129,000 for the three and nine months ended September 30, 2014, respectively. As of the date of this report, the Company has identified approximately $3.2 million in annual expenses from the combined companies, the vast majority of which came from costs expected to be eliminated from the NAPW Network's business. The Company does not believe any of the expense reductions will have an adverse effect upon the Company's revenues or long term viability.

Depreciation and amortization expense: Depreciation and amortization expense increased $64,000 and $132,000 during the three and nine months ended September 30, 2014, respectively, compared to the three and nine months ended September 30, 2013. The increase was primarily due to a $59,000 and $126,000 increase in amortization expense for the three and nine months ended September 30, 2014, respectively, due to the amortization of the intangible assets acquired from NAPW, the additions to capitalized software relating to web product platform to support emerging technologies and to the acquired software technology from CareerImp Inc. in June 2013.

Other Income (Expenses)

Other income for the three and nine months ended September 30, 2014 mainly consists of interest earned on our short-term investments. Interest expense for the nine months ended September 30, 2013 is primarily attributable to the retirement of debt previously owed to certain shareholders of the Company that was exchanged for shares of our common stock upon our reorganization on March 4, 2013. Acquisition related costs for the three months ended September 30, 2014 were for professional services and fees directly related to our merger with NAPW.

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. We recorded a non-cash loss of $35,000 and $21,000, during the three and nine months ended September 30, 2014, respectively, and non-cash gains of $4,000 and $316,000 during the three and nine months ended September 30, 2013, respectively, related to changes in the fair value of our warrant liability liabilities. The change in the fair value of our warrant liability 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 $1,130,306 and $80,570 being recognized and included in the tax provision for the nine months ended September 30, 2014 and 2013, respectively. The tax benefit was determined using an effective tax rate of 40.6% for the nine months ended September 30, 2014 and for the period from March 4, 2013 (the date on which the tax status changed to a C Corporation) to September 30, 2013.

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 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.

Our more significant accounting policies can be found in Note 3 of our unaudited condensed consolidated financial statements found elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on March 27, 2014. There have been no material changes to our critical accounting policies and estimates during the period covered by this report, other than as disclosed in Note 3, "Business Combinations," "Goodwill and Intangible Assets," "Incremental Direct Costs," and "Revenue Recognition" due to the acquisition of NAPW.

Liquidity and Capital Resources

The following table summarizes our liquidity and capital resources as of September 30, 2014 and 2013, respectively, and is intended to supplement the more detailed discussion that follows:

	September 30,	
	2014	**2013**
	(in thousands)	
Cash and cash equivalents	$ 1,822	$ 19,808
Short-term investments	9,238	-
Working capital (deficiency)	(3,664)	19,401

Our principal sources of liquidity are our cash and cash equivalents, short-term investments and the net proceeds from our initial public offering. Our payment terms for PDN 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. We collect NAPW membership fees generally at the commencement of their membership term or at renewal periods thereafter. 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.

Under our business agreement with LinkedIn, LinkedIn made fixed quarterly payments to us in the amount of $500,000 per quarter and paid us commissions for sales of our services in excess of certain thresholds. The agreement with LinkedIn terminated on March 29, 2014 and, as a result, LinkedIn is no longer a reseller of the Company's products or services and the Company will not receive the fixed quarterly payments of $500,000 or have the potential to earn additional commission revenue from LinkedIn. Accordingly, the termination of our agreement with LinkedIn has had a material impact on revenue and operating cash flow in the near term. However, as of March 30, 2014, we are now permitted 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. The Company has implemented a plan to actively engage with the 1,000 companies that were formerly restricted from us by agreement with LinkedIn. In addition we will also be marketing to customers that had purchased our products through contracts with LinkedIn with the intent of renewing those contracts directly as they expire over the coming 12 months. We feel that our existing salesforce has the capacity to service the additional potential customers we will target as a result of the termination of the LinkedIn agreement.

Under our business agreement with Apollo Group, Apollo Group made fixed monthly payments to us in the amount of $116,667 for the following services we provided to 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 agreement with Apollo terminated on October 9, 2014 and, as a result, the Company will no longer receive the fixed monthly payments of $116,667.

The Merger with NAPW resulted in a reduction in the amount of cash and short-term investments of the Company. The consideration for the Merger consisted of $ 3,555,000 paid by the Company in cash to the former sole shareholder of Old NAPW, fees of approximately $474,000 paid by the Company to the Company's financial advisor, Aegis Capital Corp. and fees of approximately $349,000 paid by the Company to its legal and accounting advisors. The Company believes that it has more than adequate liquidity to meet its needs for the foreseeable future. Furthermore, we expect the Company to generate cash in 2015.

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.

	Nine Months Ended September 30,	
	2014	2013
	(in thousands)	
Cash provided by (used in):		
Operating activities	$ (3,913)	$ 508
Investing activities	(12,971)	(363)
Financing activities	(31)	18,795
Net (decrease) increase in cash and cash equivalents	$ (16,915)	$ 18,940

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 nine months ended September 30, 2014 was $3,913,000. We had a net loss of $1,692,000, during the nine months ended September 30, 2014, which was offset by non-cash depreciation and amortization of $315,000, stock based compensation expense of $50,000, a deferred tax benefit of $1,130,000, the fair value of warrants issued in connection with our acquisition of NAPW of $139,000, the amortization of premiums paid on short-term investments of $45,000 and a decrease in the fair value of warrant liabilities of $21,000. Changes in working capital used $1,660,000 of cash during the nine months ended September 30, 2014.

The cash flow provided by operating activities during the nine months ended September 30, 2013 was primarily attributable to changes in our assets and liabilities, mainly consisting of a decrease in accounts receivable of $1,532,000. The decrease in accounts receivable was due to the collection of outstanding receivables. We had a net loss of $886,000 during the nine months ended September 30, 2013, which included non-cash interest and accretion added to our notes payable of $155,000, non-cash depreciation and amortization of $182,000, a non-cash deferred tax expense of $81,000 and a decrease in the fair value of a warrant liability of $316,000.

Net Cash Used in Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2014 was $12,971,000, consisting of $15,525,000 from the purchase of short-term investments, $3,550,000 paid as partial consideration for the acquisition of NAPW, $125,000 invested in developed technology and $13,300 in purchases of property and equipment, offset by $6,243,000 of proceeds from the sale and maturities of short-term investments.

Net cash used in investing activities for the nine months ended September 30, 2013 was $363,000, primarily consisting of $336,000 paid for the acquisition of technology and the assets of PSI, $243,000 invested in developed technology and $33,000 in purchases of property and equipment, offset by $242,000 of proceeds from the sale and maturities of short-term investments and $6,000 from the sale of property and equipment.

Net Cash Provided by Financing Activities

Net cash used in financing activities during the nine months ended September 30, 2014 was $31,000 which included $26,000 for the repurchase of Company stock and $5,000 for the payment of capital leases.

Net cash provided by financing activities was $18,795,000 for the nine months ended September 30, 2013. The cash provided by financing activities consisted of $19,475,000 in net proceeds from our initial public offering less $479,000 in initial public offering costs paid by the Company, offset by $200,000 in distributions to members of the Company prior to our reorganization.

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 July 2013, the FASB issued 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 adopted ASU 2013-11 effective January 1, 2014 and the adoption did not have an impact on the condensed consolidated financial statements but may have an impact in future periods.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (ASU 201-09). ASU 201-09 provides guidance for revenue recognition and affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry-specific guidance. The core principle of ASU 2014-09 is the recognition of revenue when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, companies will need to use more judgment and make more estimates than under the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for fiscal years beginning after December 15, 2016 and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Early adoption is not permitted. The Company is currently evaluating the method and impact the adoption of ASU 2014-09 will have on the Company's condensed consolidated financial statements and disclosures.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation" (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period ("**ASU 2014-12**"). ASU 2014-12 affects entities that grant their employees share-based payments in which terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the method and impact the adoption of ASU 2014-12 will have on the Company's condensed consolidated financial statements and disclosures.

In August 2014, the FASB, issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The amendments in ASU 2014-15 are effective for annual reporting periods ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company will adopt the methodologies prescribed by ASU 2014-15 by the date required, and does not anticipate that the adoption of ASU 2014-15 will have a material effect on its financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report, our management conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), as of September 30, 2014. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report in ensuring that information required to be disclosed was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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, as defined in Rule 13a-15(f) of the Exchange Act, that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

During 2013 and into the first half of 2014, we undertook certain improvements to remediate material weaknesses related to our internal control over financial reporting that were identified during the year ended December 31, 2013. Specifically, the Company implemented new policies to segregate certain 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 engaged a third party external financial reporting advisor 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.

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.

PART II

ITEM 1. LEGAL PROCEEDINGS

NAPW, Inc., the Company's wholly-owned subsidiary and successor by merger to Old NAPW, is a defendant in the related cases of *Constantino v. NAPW, Inc.*, No. 0000074/2013 (Sup. Ct., Nassau Co.), filed in the County Court for Nassau County, New York, and *DeLisi, et al. v. NAPW, Inc.*, No. 2:13-CV-05322 (E.D.N.Y.), filed in federal court for the Eastern District of New York. These cases involve allegations made by four former employees of same sex sexual harassment by a female sales manager over a period of several years. Upon learning of these allegations, which came only after the employees involved were terminated for cause, Old NAPW engaged an independent investigator that conducted an investigation and returned a conclusion that the allegations were unfounded. Both cases are in the early stages of discovery. At this time, the Company does not have an estimate of the likelihood or the amount of any potential exposure. The outcome of these lawsuits is uncertain. The Company believes that the claims asserted in each suit are without merit and intends to defend itself vigorously against the claims.

ITEM 1A. RISK FACTORS

Except as provided below, there are no material changes from the risk factors set forth under Part I, Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

The eventual public resale by the former sole shareholder of Old NAPW and certain executive officers of Old NAPW of the Company's common stock received in the Merger could have a negative effect on the trading price of the Company's common stock following completion of the Merger.

In the Merger, we issued 6,309,845 shares of the Company's common stock to the sole shareholder of Old NAPW and certain executive officers of Old NAPW. None of these shares were registered under the Securities Act of 1933, and they will only be able to be resold pursuant to a separate registration statement or an applicable exemption from registration (under both federal and state securities laws). The shares are subject to contractual restrictions under the terms of a registration rights agreement, including a restriction that prohibits the recipients of the shares from selling the shares during the twelve-month period following the closing of the Merger. However, the terms of the registration rights agreement provide that the Company, not later than nine months following the closing of the Merger, must file a shelf registration statement on Form S-3 with the SEC with respect to such shares, which registration statement the Company shall keep effective for the earlier of three years thereafter or until each recipient of shares in the Merger has sold all of his or her shares. If all or a substantial portion of these shares are resold into the public markets, such transactions may cause a decline in the trading price of our common stock.

The Company recorded goodwill and identifiable intangible assets that could become impaired and adversely affect its operating results.

Under GAAP, the Merger was accounted for under the acquisition method of accounting as a purchase by the Company of Old NAPW. Under the acquisition method of accounting, the total implied purchase price paid for Old NAPW in the Merger was allocated to Old NAPW's tangible assets and liabilities and identifiable intangible assets based on their fair values as of the date of completion of the Merger. The excess of the purchase price over those fair values was recorded as goodwill. The Merger has resulted in the creation of goodwill based upon the application of acquisition accounting. To the extent the value of goodwill or identifiable intangible assets become impaired, the Company may be required to incur material non-cash charges relating to such impairment. Such a potential impairment charge could have a material and adverse impact on the Company's operating results.

The Company has continuing contractual obligations under the Merger, which will impact its business.

The Merger Agreement includes obligations of the Company and the former sole shareholder of Old NAPW that will continue following completion of the Merger. These obligations include indemnification obligations, which may entitle the Company to seek recovery from the former sole shareholder of Old NAPW for losses related to representations and pre-Merger actions or omissions of Old NAPW, or alternatively, may entitle the former sole shareholder of Old NAPW to seek recovery from the Company for losses related to representations and pre-Merger actions or omissions of the Company.

NAPW had a net loss in each of the first six months of 2014 and the years 2013 and 2012 and there can be no assurance that it will not experience a loss in the future, which would negatively the Company's ability to achieve its business objectives.

There can be no assurance that the future operations of the NAPW Network as part of the combined company will result in net income to the Company. The failure of NAPW Network to increase its revenues or improve its gross margins will harm the business of the Company. The Company may not be able to achieve, sustain or increase profitability from the NAPW Network on a quarterly or annual basis in the future. If the business of the NAPW Network grows revenue more slowly than the Company anticipates, if its gross margins fail to improve or its operating expenses exceed the Company's expectations, the Company's operating results will suffer. The prices the Company will charge for NAPW Network membership and related services may decrease, which would reduce the Company's revenues and harm its business. If the Company is unable to sell NAPW Network membership subscriptions at acceptable prices relative to the Company's costs, or if the Company fails to develop and introduce on a timely basis new NAPW Network products and services for NAPW Network members from which the Company can derive additional revenues, the Company's financial results will suffer.

Failure to successfully combine and integrate the PDN Network and NAPW Network businesses in the expected time frame may adversely affect the combined company's future results.

The success of the combined company depends, in part, on the combined company's ability to realize the anticipated benefits from combining the business of the PDN Network and the NAPW Network. To realize these anticipated benefits, the business of the NAPW Network must be successfully integrated and combined with the PDN Network. The PDN Network and the NAPW Network were previously operated by separate and independent companies, and the Company's management now faces significant challenges in consolidating the functions of the two businesses and integrating both companies' technologies, organizations, procedures, policies and operations, as well as addressing the different business cultures at the two companies and retaining key personnel. If the combined company is not successfully integrated, the anticipated benefits of the Merger may not be realized fully or at all or may take longer to realize than expected. The integration may also be complex and time consuming, and require substantial resources and effort. The integration process and other disruptions resulting from the Merger may also disrupt the ongoing business of the PDN Network and NAPW Network and/or adversely affect relationships with employees, customers and others with whom each business has relationships.

If the Company does not continue to attract new members to the NAPW Network, or if existing NAPW Network members do not renew their subscriptions, renew at lower levels or on less favorable terms, or fail to purchase additional offerings, we may not achieve our revenue projections, and our operating results would be harmed.

In order to grow the NAPW Network, the Company must continually attract new members to the NAPW Network, sell additional product and service offerings to existing NAPW Network members and reduce the level of non-renewals. The Company's ability to do so depends in large part on the success of the combined company's sales and marketing efforts. The NAPW Network does not typically enter into long-term contracts with its members, and even when it does, the members can generally terminate their relationship with the network. Further, unlike companies with different business models, the nature of the NAPW Network's product and service offerings is such that members may decide to terminate or not renew their agreements without causing significant disruptions to their own businesses.

The Company must demonstrate to NAPW Network members that the product and service offerings of the combined company provide them with access to an audience of one of the most influential, affluent and highly-educated women. However, potential members may not be familiar with our product and service offerings or may prefer other more traditional products and services for their professional advancement and networking needs. The rate at which the combined company expands the NAPW Network's membership base or increase its members' renewal rates may decline or fluctuate because of several factors, including the prices of product and service offerings, the prices of products and services offered by competitors or reductions in their professional advancement and networking spending levels due to macroeconomic or other factors and the efficacy and cost-effectiveness of our offerings. If the combined company does not attract new members to the NAPW Network or if NAPW Network members do not renew their agreements for the combined company's product and service offerings, renew at lower levels or on less favorable terms or do not purchase additional offerings, our revenue may grow more slowly than expected or decline.

Matthew B. Proman and Star Jones possess specialized knowledge about the NAPW Network and the Company would be adversely impacted if either one were to become unavailable to the Company.

We believe that our ability to execute the business strategy of the combined company will depend to a significant extent upon the efforts and abilities of Matthew B. Proman, the Company's Executive Vice President and Chief Operating Officer, and Star Jones, the Company's President. Mr. Proman has knowledge regarding the direct mail marketing and business contacts that would be difficult to replace, and Ms. Jones, currently the "face" of the NAPW Network, provides significant leadership in the professional women's networking space that no other officer of the Company possesses. Despite entering into new employment agreements with the Company effective at the closing of the Merger, if Mr. Proman or Ms. Jones were to become unavailable to us, our operations would be adversely affected. We have no insurance to compensate us for the loss of any our executive officers or key employees.

Our business depends on a strong and trusted NAPW Network brand, and any failure to maintain, protect and enhance that brand would hurt the Company's ability to retain or expand the NAPW Network's membership base, ability to increase the level of engagement of NAPW Network members and ability to attract and retain high-level employees.

The Company believes that Old NAPW developed a strong and trusted brand for the NAPW Network that we believe contributed significantly to the success of the NAPW Network prior to the Merger. The brand is predicated on the idea that professional women will trust it and find immense value in building and maintaining their professional identities and reputations on the NAPW Network platform. Maintaining, protecting and enhancing that brand is critical to expanding the NAPW Network's base of members, and increasing their engagement with the product and services offerings of the combined company, and will depend largely on our ability to maintain member trust, be a technology leader and continue to provide high-quality offerings, which we may not do successfully in the future. Despite our efforts to protect the NAPW Network's brand and prevent its misuse, if others misuse the brand or pass themselves off as being endorsed or affiliated with the NAPW Network, it could harm our reputation and our business could suffer. If NAPW Network members or potential members determine that they can use other platforms, such as social networks, for the same purposes as or as a replacement for the NAPW Network, or if they choose to blend their professional and social networking activities, the NAPW Network brand and the business of the combined company could be harmed. NAPW Network members could find that new product or service offerings that are introduced are difficult to use or may feel that they degrade their experience with the NAPW Network's organization, which could harm the reputation of the NAPW Network and the Company for delivering high-quality offerings. The NAPW Network's brand is also important in attracting and maintaining high performing employees. If we do not successfully maintain a strong and trusted brand for the NAPW Network, the business of the combined company could be harmed.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Please see the exhibit index following the signature page of this Quarterly Report.

SIGNATURES

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

PROFESSIONAL DIVERSITY NETWORK, INC.

Date: November 14, 2014 By: /s/ David Mecklenburger

Name: David Mecklenburger
Title: Chief Financial Officer
(On behalf of the Registrant and as principal financial officer and principal accounting officer)

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Professional Diversity Network, Inc., as amended
3.2	Amended and Restated By-laws of Professional Diversity Network, Inc., as amended
10.1	Registration Rights and Lock-Up Agreement among Professional Diversity Network, Inc., Matthew Proman, Star Jones and Christopher Wesser, dated as of September 24, 2014, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2014
10.2	Promissory Note issued by Professional Diversity Network, Inc. to Matthew Proman in the principal amount of $445,000, dated as of September 24, 2014, incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2014
10.3*	Common Stock Purchase Warrant for the Purchase of 6,000 Shares of Common Stock of Professional Diversity Network, Inc. between David Bocchi and Professional Diversity Network, Inc., dated September 24, 2014, incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2014
10.4	Common Stock Purchase Warrant for the Purchase of 50,000 Shares of Common Stock of Professional Diversity Network, Inc. between Matthew B. Proman and Professional Diversity Network, Inc., dated as of September 24, 2014, incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2014
10.5	Common Stock Purchase Warrant for the Purchase of 131,250 Shares of Common Stock of Professional Diversity Network, Inc. between Matthew B. Proman and Professional Diversity Network, Inc., dated as of September 24, 2014, incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2014
10.6	Amended and Restated Employment Agreement between Professional Diversity Network, Inc. and James Kirsch, dated as of September 24, 2014, incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2014
10.7	Employment Agreement between Professional Diversity Network, Inc. and David Mecklenburger, dated as of September 24, 2014, incorporated herein by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2014
10.8	Employment Agreement between Professional Diversity Network, Inc. and Matthew Proman, dated as of September 24, 2014, incorporated herein by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2014
10.9	Employment Agreement between Professional Diversity Network, Inc. and Star Jones, dated as of September 24, 2014, incorporated herein by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2014
10.10	Employment Agreement between Professional Diversity Network, Inc. and Christopher Wesser, dated as of September 24, 2014, incorporated herein by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2014
10.11	Professional Diversity Network, Inc. 2013 Equity Compensation Plan Code Section 409A Nonqualified Stock Option Award Agreement, dated as of September 24, 2014, between Matthew Proman and Professional Diversity Network, Inc.
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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* The Common Stock Purchase Warrants issued by the Company to each of Craig Skop, Priyanka Mahajan, Kevin Mangan, Eric Lord, Ramnarain Jaigobind, Zachary Hirsch , Joseph Haughton, Phillip Michals, Raffaele Gambardella and Robert Eide, all of whom are affiliates of Aegis Capital Corp., are substantially identical in all material respects to the Common Stock Purchase Warrant issued to David Bocchi and filed as an exhibit, except as to the recipient of such warrants and the number of shares of Common Stock issuable upon exercise of such warrants. Pursuant to SEC regulation, we have omitted filing copies of such warrants as exhibits to this Quarterly Report on Form 10-Q.

Exhibit 3.1

FORM OF AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
of
PROFESSIONAL DIVERSITY NETWORK, INC.

Professional Diversity Network, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "General Corporation Law"), hereby certifies that:

FIRST, the name under which the Corporation was originally incorporated is Professional Diversity Network, Inc.;

SECOND, the Certificate of Incorporation of the Corporation was originally filed with the Secretary of State of Delaware on January 31, 2012. The Certificate of Incorporation of the Corporation as heretofore amended is hereby amended and restated pursuant to Sections 228, 242 and 245 of the General Corporation Law. All amendments to the Certificate of Incorporation reflected herein (this "Restated Certificate") have been duly adopted by the Board of Directors and stockholders of the Corporation in accordance with the provisions of such Sections; and

THIRD, the Certificate of Incorporation of the Corporation, shall be amended and restated to read in full as follows:

1. Name. The name of the corporation is "Professional Diversity Network, Inc."

2. Address; Registered Office and Agent. The address of the Corporation's registered office in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

3. Purposes. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

4. Stock.

4.1 Classes of Stock. The Corporation is authorized to issue two classes of stock to be designated, respectively, common stock ("Common Stock") and Preferred Stock ("Preferred Stock").

4.2 Common Stock. The total number of shares of Common Stock that the Corporation shall have authority to issue is 25,000,000 shares, $0.01 par value per share. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law or any corresponding provision hereinafter enacted.

4.3 Preferred Stock. The total number of shares of Preferred Stock that the Corporation shall have authority to issue is 1,000,000 shares, $0.01 par value per share. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, within the limitations and restrictions stated in this Amended and Restated Certificate of Incorporation, to provide for the issue of all or any of the shares of Preferred Stock in one or more series, and to fix the number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issue of such shares and as may be permitted by the General Corporation Law. The Board of Directors is also authorized to increase or decrease the number of shares of any series of Preferred Stock subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

5. Board of Directors.

5.1 Number of Directors. The business and affairs of the Corporation shall be managed by, or under the direction of, the Board. Unless and except to the extent that the Amended and Restated By-laws of the Corporation, as such By-laws may be amended from time to time (the "By-laws"), shall so require, the election of the directors of the Corporation need not be by written ballot. The total number of directors constituting the entire Board of Directors shall be not less than one (1) nor more than seven (7), with the then authorized number of directors being fixed from time to time by the Board of Directors. The Board of Directors shall not be divided into classes. Each director shall initially serve until the next meeting of stockholders held after the effective date of this Restated Certificate. Thereafter, each director shall serve for a one (1) year term.

5.1 Vacancies and Newly Created Directorships. Except as otherwise required by law, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote may be filled by a majority of the directors (including, in the case of the resignation of one or more directors, those directors who have so resigned), although less than a quorum, or by a sole remaining director. A person so elected by the directors then in office to fill a vacancy or newly created directorship shall hold office until the next election for which such director shall have been chosen and until his or her successor shall have been duly elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director.

5.2 Removal of Directors. Any director, or the entire Board, may be removed from office at any time, but only for cause and only by the affirmative vote of at least 66.67% of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

6. Limitation of Liability. To the fullest extent permitted under the General Corporation Law, as amended from time to time, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that this provision shall not eliminate or limit the liability of a director (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the General Corporation Law or (d) for any transaction from which the director derived any improper personal benefits. If the General Corporation Law is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law, as so amended. Any amendment, repeal or modification of the foregoing provision shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, repeal or modification.

7. Indemnification.

7.1 Indemnification of Directors and Officers in Third Party Proceedings. Subject to the other provisions of this Article VII, the Corporation shall indemnify, to the fullest extent permitted by the General Corporation Law, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director or officer of the Corporation, or

while a director of the Corporation or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

7.2 Indemnification of Directors and Officers in Actions by or in the Right of the Corporation. Subject to the other provisions of this Article VII, the Corporation shall indemnify, to the fullest extent permitted by the General Corporation Law, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or while a director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

7.3 Successful Defense. To the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section 7.1 or Section 7.2, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

7.4 Indemnification of Others. Subject to the other provisions of this Article VII, the Corporation shall have power to indemnify its employees and its agents to the extent not prohibited by the General Corporation Law or other applicable law. The Board of Directors shall have the power to delegate the determination of whether employees or agents shall be indemnified to such person or persons as the Board of Directors determines.

7.5 Advanced Payment of Expenses. Expenses (including attorneys' fees) incurred by an officer or director of the Corporation in defending any Proceeding shall be paid by the Corporation, and expenses (including attorneys' fees) incurred by the Corporation's employees and agents in defending any Proceeding may be paid by the Corporation, in advance of the final disposition of such Proceeding upon receipt of a written request therefor (together with documentation reasonably evidencing such expenses) and an undertaking by or on behalf of the person to repay such amounts if it shall ultimately be determined that the person is not entitled to be indemnified under this Article VII or the General Corporation Law. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems reasonably appropriate and shall be subject to the Corporation's expense guidelines. The right to advancement of expenses shall not apply to any claim for which indemnity is excluded pursuant to these bylaws, but shall apply to any Proceeding referenced in Section 7.6(a), 7.6(b) or 7.6(c) prior to a determination that the person is not entitled to be indemnified by the Corporation.

7.6 Limitation on Indemnification. Subject to the requirements in Section 7.3 and the General Corporation Law, the Corporation shall not be obligated to indemnify any person pursuant to this Article VII in connection with any Proceeding (or any part of any Proceeding):

(a) for which payment has actually been made to or on behalf of such person under any statute, insurance policy, indemnity provision, vote or otherwise, except with respect to any excess beyond the amount paid;

(b) for an accounting or disgorgement of profits pursuant to Section 16(b) of the 1934 Act, or similar provisions of federal, state or local statutory law or common law, if such person is held liable therefor (including pursuant to any settlement arrangements);

(c) for any reimbursement of the Corporation by such person of any bonus or other incentive-based or equity-based compensation or of any profits realized by such person from the sale of securities of the Corporation, as required in each case under the Securities Exchange Act of 1934, as amended (including any such reimbursements that arise from an accounting restatement of the Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the Corporation of profits arising from the purchase and sale by such person of securities in violation of Section 306 of the Sarbanes-Oxley Act), if such person is held liable therefor (including pursuant to any settlement arrangements);

(d) initiated by such person (and not by way of defense), unless (i) the Board of Directors authorized the Proceeding (or the relevant part of the Proceeding) prior to its initiation, (ii) the Corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the Corporation under applicable law, (iii) otherwise required to be made under Section 7.7 or (iv) otherwise required by applicable law; or

(e) if prohibited by applicable law; *provided, however*, that if any provision or provisions of this Article VII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article VII (including, without limitation, each portion of any paragraph or clause containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article VII (including, without limitation, each such portion of any paragraph or clause containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

7.7 Determination; Claim. If a claim for indemnification or advancement of expenses under this Article VII is not paid in full within 90 days after receipt by the Corporation of the written request therefor, the claimant shall be entitled to an adjudication by a court of competent jurisdiction of his or her entitlement to such indemnification or advancement of expenses. The Corporation shall indemnify such person against any and all expenses that are incurred by such person in connection with any action for indemnification or advancement of expenses from the Corporation under this Article VII, to the extent such person is successful in such action, and to the extent not prohibited by law. In any such suit, the Corporation shall, to the fullest extent not prohibited by law, have the burden of proving that the claimant is not entitled to the requested indemnification or advancement of expenses.

7.8 Non-Exclusivity of Rights. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the certificate of incorporation or any statute, bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. The Corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advancement of expenses, to the fullest extent not prohibited by the General Corporation Law or other applicable law.

7.9 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of the General Corporation Law.

7.10 Survival. The rights to indemnification and advancement of expenses conferred by this Article VII shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

7.11 Effect of Repeal or Modification. Any amendment, alteration or repeal of this Article VII shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to such amendment, alteration or repeal.

7.12 Certain Definitions. For purposes of this Article VII, references to the "Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VII.

8. Adoption, Amendment and/or Repeal of By-Laws. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board is expressly authorized to make, alter and repeal the By-laws, subject to the power of the stockholders of the Corporation to alter or repeal any By-laws whether adopted by them or otherwise. Notwithstanding any other provisions of this Restated Certificate or the By-laws (and notwithstanding the fact that a lesser percentage may be permitted by applicable law, this Restated Certificate or the By-laws), the affirmative vote of a majority of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote shall be required to adopt new By-laws or to alter, amend or repeal the By-laws.

9. Certificate Amendments. The Corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in this Restated Certificate. In addition, other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by applicable law. All rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Restated Certificate in its present form or as hereafter amended are granted and held subject to the rights the Corporation has reserved in this Section 9. Notwithstanding any other provisions of this Restated Certificate or the By-laws (and notwithstanding the fact that a lesser percentage may be permitted by applicable law, this Restated Certificate or the By-laws), the affirmative vote of a majority of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote shall be required to amend or repeal, or adopt any provisions inconsistent with Sections 5, 8, or 9 of this Restated Certificate.

WITNESS the signature of this Amended and Restated Certificate of Incorporation this _ day of _, 2013.

PROFESSIONAL DIVERSITY NETWORK, INC.

By: _____
Name: _____
Title: _____

CERTIFICATE OF AMENDMENT

OF

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION

OF

PROFESSIONAL DIVERSITY NETWORK, INC.

Professional Diversity Network, Inc. (the "Corporation"), in order to amend its Amended and Restated Certificate of Incorporation, hereby certifies as follows:

FIRST: The name of the Corporation is:

PROFESSIONAL DIVERSITY NETWORK, INC.

SECOND: The Corporation hereby amends its Amended and Restated Certificate of Incorporation as follows:

The third sentence of Paragraph 5.1 of the Amended and Restated Certificate of Incorporation, relating to the Stockholder Action by Written Consent Without a Meeting, is hereby amended to read as follows:

"The total number of directors constituting the entire Board of Directors shall be not less than one (1) nor more than nine (9), with the then authorized number of directors being fixed from time to time by the Board of Directors."

THIRD: The Corporation hereby amends its Amended and Restated Certificate of Incorporation by deleting the second sentence of Paragraph 8 in its entirety.

FOURTH: The amendment effected herein was authorized by the affirmative written consent of the holders of a majority of the outstanding shares entitled to vote thereon pursuant to Section 228(a) of the General Corporation Law of the State of Delaware.

FIFTH: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, I hereby certify that this Certificate of Amendment of Amended and Restated Certificate of Incorporation was approved by the affirmative written consent of a majority of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote.

/s/ David Mecklenburger
David Mecklenburger
Chief Financial Officer

Exhibit 3.2

AMENDED AND RESTATED BYLAWS OF

PROFESSIONAL DIVERSITY NETWORK, INC.

(as amended and restated on _, 2013, and effective as of the closing of the Corporation's initial public offering)

ARTICLE I —CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of Professional Diversity Network, Inc. (the "Corporation") shall be fixed in the Corporation's certificate of incorporation. References in these bylaws to the certificate of incorporation shall mean the certificate of incorporation of the Corporation, as amended from time to time.

1.2 OTHER OFFICES

The Corporation's board of directors may at any time establish other offices at any place or places where the Corporation is qualified to do business.

ARTICLE II — MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. The board of directors may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the General Corporation Law of the State of Delaware (the "DGCL"). In the absence of any such designation or determination, stockholders' meetings shall be held at the Corporation's principal executive office.

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held on such date, at such time, and at such place (if any) within or without the State of Delaware as shall be designated from time to time by the board of directors and stated in the Corporation's notice of the meeting. At the annual meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

(i) A special meeting of the stockholders, other than those required by statute, may be called at any time only by (A) the board of directors acting pursuant to a resolution adopted by a majority of the Whole Board, (B) the chairperson of the board of directors, (C) the chief executive officer, (D) the president (in the absence of a chief executive officer), or (E) one or more stockholders representing 25% or more of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote. A special meeting of the stockholders may not be called by any other person or persons. For purposes of these bylaws, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships. The board of directors acting pursuant to a resolution adopted by a majority of the Whole Board may cancel, postpone or reschedule any previously scheduled special meeting at any time, before or after the notice for such meeting has been sent to the stockholders (unless such previously scheduled special meeting is called pursuant to Section 2.3(i)(E)).

(ii) The notice of a special meeting shall include the purpose for which the meeting is called. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting by or at the direction of the board of directors, the chairperson of the board of directors, the chief executive officer, the president (in the absence of a chief executive officer), or the stockholder(s) who called such special meeting. Nothing contained in this Section 2.3(ii) shall be construed as limiting, fixing or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

2.4 ADVANCE NOTICE PROCEDURES

(i) *Advance Notice of Stockholder Business.* At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be brought: (A) pursuant to the Corporation's proxy materials with respect to such meeting, (B) by or at the direction of the Whole Board, or (C) by a stockholder of the Corporation who (1) is a stockholder of record at the time of the giving of the notice required by this Section 2.4(i) and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has timely complied in proper written form with the notice procedures set forth in this Section 2.4(i). In addition, for business to be properly brought before an annual meeting by a stockholder, such business must be a proper matter for stockholder action pursuant to these bylaws and applicable law. Except for proposals properly made in accordance with Rule 14a-8 under the Securities and Exchange Act of 1934, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations) (the "1934 Act"), and included in the notice of meeting given by or at the direction of the board of directors, for the avoidance of doubt, clause (C) above shall be the exclusive means for a stockholder to bring business before an annual meeting of stockholders.

(a) To comply with clause (C) of Section 2.4(i) above, a stockholder's notice must set forth all information required under this Section 2.4(i) and must be timely received by the secretary of the Corporation. To be timely, a stockholder's notice must be received by the secretary at the principal executive office of the Corporation not later than the 90th day nor earlier than the 120th day before the one-year anniversary of the date on which the Corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the preceding year's annual meeting; *provided*, *however*, that in the event that no annual meeting was held in the previous year or if the date of the annual meeting is advanced by more than 30 days prior to or delayed by more than 60 days after the one-year anniversary of the date of the previous year's annual meeting, then, for notice by the stockholder to be timely, it must be so received by the secretary not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of (1) the 90th day prior to such annual meeting, or (2) the tenth day following the day on which Public Announcement (as defined below) of the date of such annual meeting is first made. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described in this Section 2.4(i)(a). "Public Announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act. In no event shall the Public Disclosure of an adjournment or postponement of an annual or special meeting commence a new time period (or extend any time period) for the giving of any stockholder notice.

(b) To be in proper written form, a stockholder's notice to the secretary must set forth as to each matter of business the stockholder intends to bring before the annual meeting: (1) a brief description of the business intended to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (2) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and any Stockholder Associated Person (as defined below), (3) the number of shares of the Corporation that are held of record or are beneficially

owned by the stockholder and any Stockholder Associated Person and any derivative positions held or beneficially held by the stockholder and any Stockholder Associated Person, (4) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of such stockholder or any Stockholder Associated Person with respect to any securities of the Corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, such stockholder or any Stockholder Associated Person with respect to any securities of the Corporation, (5) any material interest of the stockholder or any Stockholder Associated Person in such business, and (6) a statement whether either such stockholder or any Stockholder Associated Person will deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal (such information provided and statements made as required by clauses (1) through (6), a "Business Solicitation Statement"). In addition, to be in proper written form, a stockholder's notice to the secretary must be supplemented not later than ten days following the record date for notice of the meeting to disclose the information contained in clauses (3) and (4) above as of the record date for notice of the meeting. For purposes of this Section 2.4, a "Stockholder Associated Person" of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder and on whose behalf the proposal or nomination, as the case may be, is being made, or (iii) any person controlling, controlled by or under common control with such person referred to in the preceding clauses (i) and (ii).

(c) Without exception, no business shall be conducted at any annual meeting except in accordance with the provisions set forth in this Section 2.4(i) and, if applicable, Section 2.4(ii). In addition, business proposed to be brought by a stockholder may not be brought before the annual meeting if such stockholder or a Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Business Solicitation Statement applicable to such business or if the Business Solicitation Statement applicable to such business contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that business was not properly brought before the annual meeting and in accordance with the provisions of this Section 2.4(i), and, if the chairperson should so determine, he or she shall so declare at the annual meeting that any such business not properly brought before the annual meeting shall not be conducted.

(ii) *Advance Notice of Director Nominations at Annual Meetings.* Notwithstanding anything in these bylaws to the contrary, only persons who are nominated in accordance with the procedures set forth in this Section 2.4(ii) shall be eligible for election or re-election as directors at an annual meeting of stockholders. Nominations of persons for election or re-election to the board of directors of the Corporation shall be made at an annual meeting of stockholders only (A) by or at the direction of the board of directors or (B) by a stockholder of the Corporation who (1) was a stockholder of record at the time of the giving of the notice required by this Section 2.4(ii) and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has complied with the notice procedures set forth in this Section 2.4(ii). In addition to any other applicable requirements, for a nomination to be made by a stockholder, the stockholder must have given timely notice thereof in proper written form to the secretary of the Corporation.

(a) To comply with clause (B) of Section 2.4(ii) above, a nomination to be made by a stockholder must set forth all information required under this Section 2.4(ii) and must be received by the secretary of the Corporation at the principal executive offices of the Corporation at the time set forth in, and in accordance with, the final three sentences of Section 2.4(i)(a) above.

(b) To be in proper written form, such stockholder's notice to the secretary must set forth:

(1) as to each person (a "nominee") whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of the nominee, (B) the principal occupation or employment of the nominee, (C) the number of shares of the Corporation that are held of record or are beneficially owned by the nominee and any derivative positions held or beneficially held by the nominee, (D) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of the nominee with respect to any securities of the Corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of the nominee with respect to any securities of the Corporation, (E) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, (F) a written statement executed by the nominee acknowledging that as a director of the Corporation, the nominee will owe a fiduciary duty under Delaware law with respect to the Corporation and its stockholders, and (G) any other information relating to the nominee that would be required to be disclosed about such nominee if proxies were being solicited for the election or re-election of the nominee as a director, or that is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation the nominee's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected or re-elected, as the case may be); and

(2) as to such stockholder giving notice, (A) the information required to be provided pursuant to clauses (2) through (5) of Section 2.4(i)(b) above, and the supplement referenced in the second sentence of Section 2.4(i)(b) above (except that the references to "business" in such clauses shall instead refer to nominations of directors for purposes of this paragraph), and (B) a statement whether either such stockholder or Stockholder Associated Person will deliver a proxy statement and form of proxy to holders of a number of the Corporation's voting shares reasonably believed by such stockholder or Stockholder Associated Person to be necessary to elect or re-elect such nominee(s) (such information provided and statements made as required by clauses (A) and (B) above, a "Nominee Solicitation Statement").

(c) At the request of the board of directors, any person nominated by a stockholder for election or re-election as a director must furnish to the secretary of the Corporation (1) that information required to be set forth in the stockholder's notice of nomination of such person as a director as of a date subsequent to the date on which the notice of such person's nomination was given and (2) such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director or audit committee financial expert of the Corporation under applicable law, securities exchange rule or regulation, or any publicly-disclosed corporate governance guideline or committee charter of the Corporation and (3) such information that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee; in the absence of the furnishing of such information if requested, such stockholder's nomination shall not be considered in proper form pursuant to this Section 2.4(ii).

(d) Without exception, no person shall be eligible for election or re-election as a director of the Corporation at an annual meeting of stockholders unless nominated in accordance with the provisions set forth in this Section 2.4(ii). In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or if the Nominee Solicitation Statement applicable to such nominee contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the

annual meeting shall, if the facts warrant, determine and declare at the annual meeting that a nomination was not made in accordance with the provisions prescribed by these bylaws, and if the chairperson should so determine, he or she shall so declare at the annual meeting, and the defective nomination shall be disregarded.

(iii*) Other Requirements and Rights.* In addition to the foregoing provisions of this Section 2.4, a stockholder must also comply with all applicable requirements of state law and of the 1934 Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.4. Nothing in this Section 2.4 shall be deemed to affect any rights of:

(a) a stockholder to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the 1934 Act; or

(b) the Corporation to omit a proposal from the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the 1934 Act.

2.5 NOTICE OF STOCKHOLDERS' MEETINGS

Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except as otherwise provided in the DGCL, the certificate of incorporation or these bylaws, the written notice of any meeting of stockholders shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting.

2.6 QUORUM

The holders of a majority of the aggregate voting power of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. If a quorum is not present or represented at any meeting of the stockholders, then either (i) the chairperson of the meeting, or (ii) the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the board of directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 213(a) of the DGCL and Section 2.11 of these bylaws, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

2.8 CONDUCT OF BUSINESS

The chairperson of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business. The chairperson of any meeting of stockholders shall be designated by the board of directors; in the absence of such designation, the chairperson of the board, if any, the chief executive officer (in the absence of the chairperson) or the president (in the absence of the chairperson of the board and the chief executive officer), or in their absence any other executive officer of the Corporation, shall serve as chairperson of the stockholder meeting.

2.9 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to Section 217 and Section 218 of the DGCL.

Except as may be otherwise provided in the certificate of incorporation or these bylaws, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

Except as otherwise required by law, the certificate of incorporation or these bylaws, in all matters other than the election of directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise required by law, the certificate of incorporation or these bylaws, directors shall be elected by a plurality of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

2.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

2.11 RECORD DATES

In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If the board of directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the board of directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination.

If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however,* that the board of directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the provisions of Section 213 of the DGCL and this Section 2.11 at the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

2.12 PROXIES

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL. A written proxy may be in the form of a telegram, cablegram, or other means of electronic transmission which sets forth or is submitted with information from which it can be determined that the telegram, cablegram, or other means of electronic transmission was authorized by the person.

2.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting; *provided, however,* if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date. The stockholder list shall be arranged in alphabetical order and show the address of each stockholder and the number of shares registered in the name of each stockholder. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting for a period of at least 10 days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the Corporation's principal place of business. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

ARTICLE III — DIRECTORS

3.1 POWERS

The business and affairs of the Corporation shall be managed by or under the direction of the board of directors, except as may be otherwise provided in the DGCL or the certificate of incorporation.

3.2 NUMBER OF DIRECTORS

The board of directors shall consist of one or more members, each of whom shall be a natural person. The number of directors shall be determined from time to time solely by resolution of the board of directors in accordance with the provisions of the certificate of incorporation, as amended from time to time. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires. The board of directors shall not be divided into classes.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors. In accordance with the provisions of the certificate of incorporation, the directors of the Corporation shall serve for one (1) year terms; the initial directors shall serve until the next meeting of stockholders held after the effective date of these bylaws.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon notice given in writing or by electronic transmission to the Corporation; *provided, however*, that if such notice is given by electronic transmission, such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the director. A resignation is effective when the resignation is delivered unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. Acceptance of such resignation shall not be necessary to make it effective. A resignation which is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable. Unless otherwise provided in the certificate of incorporation or these bylaws, when one or more directors resign from the board of directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

Except as otherwise required by law, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A person so elected by the directors then in office to fill a vacancy or newly created directorship shall hold office until the next election and until his or her successor shall have been duly elected and qualified.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors may hold meetings, both regular and special, either within or outside the State of Delaware.

Members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board of directors.

3.7 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairperson of the board of directors, the chief executive officer, the president, the secretary or a majority of the authorized number of directors, at such times and places as he or she or they shall designate.

Notice of the time and place of special meetings shall be:

(i) delivered personally by hand, by courier or by telephone;

(ii) sent by United States first-class mail, postage prepaid;

(iii) sent by facsimile; or

(iv) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the Corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least 24 hours before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. Any oral notice may be communicated to the director. The notice need not specify the place of the meeting (if the meeting is to be held at the Corporation's principal executive office) nor the purpose of the meeting.

3.8 QUORUM; VOTING

At all meetings of the board of directors, a majority of the total authorized number of directors shall constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board of directors, except as may be otherwise specifically provided by statute, the certificate of incorporation or these bylaws.

3.9 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board of directors or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board of directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

3.10 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors.

3.11 REMOVAL OF DIRECTORS

A director may be removed from office by the stockholders of the Corporation only for cause by the affirmative vote of at least 66.67% of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

ARTICLE IV — COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent permitted by applicable law and provided in the resolution of the board of directors or in these bylaws, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the Corporation. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required. The board of directors may remove any director form any committee at any time, with or without cause.

4.2 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

(i) Section 3.5 (place of meetings; meetings by telephone);

(ii) Section 3.6 (regular meetings);

(iii) Section 3.7 (special meetings; notice);

(iv) Section 3.8 (quorum; voting);

(v) Section 3.9 (action by written consent without a meeting); and

(vi) Section 7.5 (waiver of notice)

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members. *However*:

(i) the time of regular meetings of committees may be determined by resolution of the committee;

(ii) special meetings of committees may also be called by resolution of the committee; and

(iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

4.3 SUBCOMMITTEES

Unless otherwise provided under applicable law, or in the certificate of incorporation, these bylaws or the resolutions of the board of directors designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

ARTICLE V — OFFICERS

5.1 OFFICERS

The officers of the Corporation shall be a chief executive officer, a chief financial officer and a secretary. The Corporation may also have, at the discretion of the board of directors, a chairperson of the board of directors, a vice chairperson of the board of directors, a president, a treasurer, one or more vice presidents, a chief technology officer, a chief revenue officer, one or more assistant vice presidents, one or more assistant treasurers, one or more assistant secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS

The board of directors shall appoint the officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws, subject to the rights, if any, of an officer under any contract of employment. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in this Article V for the regular election to such office.

5.3 SUBORDINATE OFFICERS

The board of directors may appoint, or empower the chief executive officer or, in the absence of a chief executive officer, the president, to appoint, such other officers and agents as the business of the Corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board of directors or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written or electronic notice to the Corporation; *provided, however*, that if such notice is given by electronic transmission, such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the officer. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the Corporation shall be filled by the board of directors or as provided in Sections 5.2 and 5.3.

5.6 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chairperson of the board of directors, the chief executive officer, the president, the chief financial officer, any vice president, the treasurer, the secretary or assistant secretary of this Corporation, or any other person authorized by the board of directors, the chief executive officer, the president or a vice president, is authorized to vote, represent, and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.7 AUTHORITY AND DUTIES OF OFFICERS

All officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the board of directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the board of directors.

5.8 THE CHAIRPERSON OF THE BOARD

The chairperson of the board shall have the powers and duties customarily and usually associated with the office of the chairperson of the board. The chairperson of the board shall preside at meetings of the stockholders and of the board of directors.

5.9 THE CHIEF EXECUTIVE OFFICER

The chief executive officer shall have, subject to the supervision, direction and control of the board of directors, ultimate authority for decisions relating to the supervision, direction and management of the affairs and the business of the Corporation customarily and usually associated with the position of chief executive officer, including, without limitation, all powers necessary to direct and control the organizational and reporting relationships within the Corporation. If at any time the office of the chairperson and vice chairperson of the board shall not be filled, or in the event of the temporary absence or disability of the chairperson of the board and the vice chairperson of the board, the chief executive officer shall perform the duties and exercise the powers of the chairperson of the board unless otherwise determined by the board of directors.

5.10 THE PRESIDENT

The president shall have, subject to the supervision, direction and control of the board of directors, the general powers and duties of supervision, direction and management of the affairs and business of the Corporation customarily and usually associated with the position of president. The president shall have such powers and perform such duties as may from time to time be assigned to him or her by the board of directors, the chairperson of the board or the chief executive officer. In the event of the absence or disability of the chief executive officer, the president shall perform the duties and exercise the powers of the chief executive officer unless otherwise determined by the board of directors.

5.11 THE VICE PRESIDENTS AND ASSISTANT VICE PRESIDENTS

Each vice president and assistant vice president shall have such powers and perform such duties as may from time to time be assigned to him or her by the board of directors, the chairperson of the board, the chief executive officer or the president.

5.12 THE SECRETARY AND ASSISTANT SECRETARIES

(i) The secretary shall attend meetings of the board of directors and meetings of the stockholders and record all votes and minutes of all such proceedings in a book or books kept for such purpose. The secretary shall have all such further powers and duties as are customarily and usually associated with the position of secretary or as may from time to time be assigned to him or her by the board of directors, the chairperson of the board, the chief executive officer or the president.

(ii) Each assistant secretary shall have such powers and perform such duties as may from time to time be assigned to him or her by the board of directors, the chairperson of the board, the chief executive officer, the president or the secretary. In the event of the absence, inability or refusal to act of the secretary, the assistant secretary (or if there shall be more than one, the assistant secretaries in the order determined by the board of directors) shall perform the duties and exercise the powers of the secretary.

5.13 THE CHIEF FINANCIAL OFFICER, THE TREASURER AND ASSISTANT TREASURERS

(i) The chief financial officer shall be responsible for maintaining the Corporation's accounting records and statements, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation. The chief financial officer shall also maintain adequate records of all assets, liabilities and transactions of the Corporation and shall assure that adequate audits thereof are currently and regularly made. The chief financial officer shall have all such further powers and perform all such further duties as are customarily and usually associated with the position of chief financial officer, or as may from time to time be assigned to him or her by the board of directors, the chairperson, the chief executive officer or the president. Unless a treasurer has been appointed separately in accordance with these bylaws, the chief financial officer shall also perform the duties of treasurer prescribed in paragraph (ii) below.

(ii) The treasurer shall have custody of the Corporation's funds and securities, shall deposit or cause to be deposited moneys or other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by any duly authorized officer of the Corporation, and shall have such further powers and perform such further duties as may from time to time be assigned to him or her by the board of directors, the chief executive officer, or the president.

(iii) Each assistant treasurer shall have such powers and perform such duties as may from time to time be assigned to him or her by the board of directors, the chief executive officer, the president, the chief financial officer or the treasurer.

5.14 THE CHIEF TECHNOLOGY OFFICER

The chief technology officer shall be responsible for overall management of the Corporation's technical services. The chief technology officer shall have all such further powers and perform all such further duties as are customarily and usually associated with the position of chief technology officer, or as may from time to time be assigned to him or her by the board of directors, the chairperson, the chief executive officer or the president.

5.15 THE CHIEF REVENUE OFFICER

The chief revenue officer shall be responsible for overall management of the Corporation's revenue generation. The chief revenue officer shall have all such further powers and perform all such further duties as are customarily and usually associated with the position of chief revenue officer, or as may from time to time be assigned to him or her by the board of directors, the chairperson, the chief executive officer or the president.

ARTICLE VI — STOCK

6.1 STOCK CERTIFICATES

The shares of the Corporation shall be represented by certificates, provided that the board of directors may provide by resolution or resolutions that some or all of of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by the chairperson of the board of directors or vice-chairperson of the board of directors, or the president or a vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the Corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The Corporation shall not have power to issue a certificate in bearer form.

6.2 LOST, STOLEN OR DESTROYED CERTIFICATES

Except as provided in this Section 6.2, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and cancelled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

6.3 DIVIDENDS

The board of directors, subject to any restrictions contained in the certificate of incorporation or applicable law, may declare and pay dividends upon the shares of the Corporation's capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock, subject to the provisions of the certificate of incorporation.

The board of directors may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

6.4 TRANSFER OF STOCK

Transfers of record of shares of stock of the Corporation shall be made only upon its books by the holders thereof, in person or by an attorney duly authorized, and, if such stock is certificated, upon the surrender of a certificate or certificates for a like number of shares, properly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer; *provided, however,* that such succession, assignment or authority to transfer is not prohibited by the certificate of incorporation, these bylaws, applicable law or contract.

6.5 STOCK TRANSFER AGREEMENTS

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of the Corporation to restrict the transfer of shares of stock of the Corporation owned by such stockholders in any manner not prohibited by the DGCL.

6.6 REGISTERED STOCKHOLDERS

The Corporation:

(i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner;

(ii) shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares; and

(iii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII — MANNER OF GIVING NOTICE AND WAIVER

7.1 NOTICE OF STOCKHOLDERS' MEETINGS

Notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the Corporation's records. An affidavit of the secretary or an assistant secretary of the Corporation or of the transfer agent or other agent of the Corporation that the notice has been given shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

7.2 NOTICE BY ELECTRONIC TRANSMISSION

Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the certificate of incorporation or these bylaws, any notice to stockholders given by the Corporation under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if:

(i) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent; and

(ii) such inability becomes known to the secretary or an assistant secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

(i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;

(iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and

(iv) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the Corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

An "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

7.3 NOTICE TO STOCKHOLDERS SHARING AN ADDRESS

Except as otherwise prohibited under the DGCL, without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under the provisions of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any stockholder who fails to object in writing to the Corporation, within 60 days of having been given written notice by the Corporation of its intention to send the single notice, shall be deemed to have consented to receiving such single written notice.

7.4 NOTICE TO PERSON WITH WHOM COMMUNICATION IS UNLAWFUL

Whenever notice is required to be given, under the DGCL, the certificate of incorporation or these bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the Corporation is such as to require the filing of a certificate under the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

7.5 WAIVER OF NOTICE

Whenever notice is required to be given to stockholders, directors or other persons under any provision of the DGCL, the certificate of incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders or the board of directors, as the case may be, need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

ARTICLE VIII — INDEMNIFICATION

8.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS IN THIRD PARTY PROCEEDINGS

Subject to the other provisions of this Article VIII, the Corporation shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director or officer of the Corporation, or while a director of the Corporation or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

8.2 INDEMNIFICATION OF DIRECTORS AND OFFICERS IN ACTIONS BY OR IN THE RIGHT OF THE CORPORATION

Subject to the other provisions of this Article VIII, the Corporation shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or while a director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

8.3 SUCCESSFUL DEFENSE

To the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section 8.1 or Section 8.2, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

8.4 INDEMNIFICATION OF OTHERS

Subject to the other provisions of this Article VIII, the Corporation shall have power to indemnify its employees and its agents to the extent not prohibited by the DGCL or other applicable law. The board of directors shall have the power to delegate the determination of whether employees or agents shall be indemnified to such person or persons as the board of determines.

8.5 ADVANCED PAYMENT OF EXPENSES

Expenses (including attorneys' fees) incurred by an officer or director of the Corporation in defending any Proceeding shall be paid by the Corporation, and expenses (including attorneys' fees) incurred by the Corporation's employees and agents in defending any Proceeding may be paid by the Corporation, in advance of the final disposition of such Proceeding upon receipt of a written request therefor (together with documentation reasonably evidencing such expenses) and an undertaking by or on behalf of the person to repay such amounts if it shall ultimately be determined that the person is not entitled to be indemnified under this Article VIII or the DGCL. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems reasonably appropriate and shall be subject to the Corporation's expense guidelines. The right to advancement of expenses shall not apply to any claim for which indemnity is excluded pursuant to these bylaws, but shall apply to any Proceeding referenced in Section 8.6(ii), 8.6(iii) or 8.6(v) prior to a determination that the person is not entitled to be indemnified by the Corporation.

8.6 LIMITATION ON INDEMNIFICATION

Subject to the requirements in Section 8.3 and the DGCL, the Corporation shall not be obligated to indemnify any person pursuant to this Article VIII in connection with any Proceeding (or any part of any Proceeding):

(i) for which payment has actually been made to or on behalf of such person under any statute, insurance policy, indemnity provision, vote or otherwise, except with respect to any excess beyond the amount paid;

(ii) for an accounting or disgorgement of profits pursuant to Section 16(b) of the 1934 Act, or similar provisions of federal, state or local statutory law or common law, if such person is held liable therefor (including pursuant to any settlement arrangements);

(iii) for any reimbursement of the Corporation by such person of any bonus or other incentive-based or equity-based compensation or of any profits realized by such person from the sale of securities of the Corporation, as required in each case under the 1934 Act (including any such reimbursements that arise from an accounting restatement of the Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the Corporation of profits arising from the purchase and sale by such person of securities in violation of Section 306 of the Sarbanes-Oxley Act), if such person is held liable therefor (including pursuant to any settlement arrangements);

(iv) initiated by such person (and not by way of defense), unless (a) the board of directors authorized the Proceeding (or the relevant part of the Proceeding) prior to its initiation, (b) the Corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the Corporation under applicable law, (c) otherwise required to be made under Section 8.7 or (d) otherwise required by applicable law; or

(v) if prohibited by applicable law; *provided, however*, that if any provision or provisions of this Article VIII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article VIII (including, without limitation, each portion of any paragraph or clause containing any such provision held to be invalid,

illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article VIII (including, without limitation, each such portion of any paragraph or clause containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

8.7 DETERMINATION; CLAIM

If a claim for indemnification or advancement of expenses under this Article VIII is not paid in full within 90 days after receipt by the Corporation of the written request therefor, the claimant shall be entitled to an adjudication by a court of competent jurisdiction of his or her entitlement to such indemnification or advancement of expenses. The Corporation shall indemnify such person against any and all expenses that are incurred by such person in connection with any action for indemnification or advancement of expenses from the Corporation under this Article VIII, to the extent such person is successful in such action, and to the extent not prohibited by law. In any such suit, the Corporation shall, to the fullest extent not prohibited by law, have the burden of proving that the claimant is not entitled to the requested indemnification or advancement of expenses.

8.8 NON-EXCLUSIVITY OF RIGHTS

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the certificate of incorporation or any statute, bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. The Corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advancement of expenses, to the fullest extent not prohibited by the DGCL or other applicable law.

8.9 INSURANCE

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of the DGCL.

8.10 SURVIVAL

The rights to indemnification and advancement of expenses conferred by this Article VIII shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

8.11 EFFECT OF REPEAL OR MODIFICATION

Any amendment, alteration or repeal of this Article VIII shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to such amendment, alteration or repeal.

8.12 CERTAIN DEFINITIONS

For purposes of this Article VIII, references to the "Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

ARTICLE IX — GENERAL MATTERS

9.1 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

Except as otherwise provided by law, the certificate of incorporation or these bylaws, the board of directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute any document or instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

9.2 FISCAL YEAR

The fiscal year of the Corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

9.3 SEAL

The Corporation may adopt a corporate seal, which shall be adopted and which may be altered by the board of directors. The Corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

9.4 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both an entity and a natural person.

ARTICLE X — AMENDMENTS

These bylaws may be adopted, amended or repealed by the affirmative vote of a majority of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote. The board of directors shall also have the power to adopt, amend or repeal bylaws.

FIRST AMENDMENT TO THE AMENDED AND RESTATED BYLAWS
OF
PROFESSIONAL DIVERSITY NETWORK, INC.

THIS FIRST AMENDMENT TO THE AMENDED AND RESTATED BYLAWS OF PROFESSIONAL DIVERSITY NETWORK, INC. ("Amendment") is made effective as of September 24, 2014 and amends the Amended and Restated Bylaws ("Bylaws"), of Professional Diversity Network, Inc. (the "Corporation") dated March 3, 2013 and effective as of the closing of the Corporation's initial public offering, in accordance with the terms of Article X of such Bylaws, Paragraph 8 of the Corporation's Amended and Restated Certificate of Incorporation (the "Charter") and applicable law.

WITNESSETH:

WHEREAS, pursuant to Article X of the Bylaws and Paragraph 9 of the Charter, amendment of the Bylaws requires the affirmative vote of a majority of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote;

WHEREAS, by affirmative written consent, a majority of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote voted to amend the Bylaws as set forth below.

NOW THEREFORE, in accordance with the Bylaws, the undersigned certifies the following as a true copy of the Amendment to the Bylaws:

1. The Bylaws are hereby amended by amending Section 2.10 to read as follows:

2.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Any action required or permitted to be taken by the stockholders of the Corporation may be taken without a meeting if the requisite number of stockholders of the Corporation that would otherwise be required to take such an action at a meeting of the stockholders consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of the stockholders. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

* * * * *

I hereby certify that this Amendment is a true and correct copy of the Amendment to the Bylaws as approved by the stockholders of the Corporation at a meeting of the stockholders on the date first listed above.

Dated September 24, 2014

By: _____
Secretary

PROFESSIONAL DIVERSITY NETWORK, INC.
2013 EQUITY COMPENSATION PLAN
CODE SECTION 409A NONQUALIFIED STOCK OPTION AWARD AGREEMENT

Name of Participant: Matthew B. Proman

I am pleased to inform you that the COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF PROFESSIONAL DIVERSITY NETWORK, INC. (the "**Committee**") has approved a grant to you of an Award of Code Section 409A Nonqualified Stock Options of Professional Diversity Network, Inc., a Delaware corporation (the "**Company**"), as described in this Professional Diversity Network, Inc. 2013 Equity Compensation Plan Code Section 409A Nonqualified Stock Option Award Agreement, which includes Exhibit A (this "**Agreement**").

1. **Grant of Nonqualified Stock Options**. The Company hereby grants to you a Code Section 409A Nonqualified Stock Option to purchase from the Company the number of Shares set forth next to "Number of Shares Awarded" on Exhibit A (for purposes of this Agreement "Share" means the Company's common stock, 50.01 par value per share), subject to the terms, conditions and provisions of Professional Diversity Network, Inc. 2013 Equity Compensation Plan, as amended from time to time (the "**Plan**"), which is incorporated herein by reference, and this Agreement. Except to the extent expressly provided herein, capitalized terms used in this Agreement shall have the same meaning ascribed thereto in the Plan. The Code Section 409A Nonqualified Stock Options are not intended to qualify as incentive stock options pursuant to Section 422 of the Code.

2. **Grant and Exercise Price**. The date of grant of the Code Section 409A Nonqualified Stock Option is the date set forth next to "**Grant Date**" on Exhibit A (the "Grant Date"). The Option Price of the Code Section 409A Nonqualified Stock Option is the price per share set forth next to "Exercise Price per Share" on Exhibit A (the "**Exercise Price**").

3. **Vesting**. Your Code Section 409A Nonqualified Stock Option is fully vested as of the Grant Date. The terms of the Plan and this Agreement shall govern the forfeiture and the expiration of the Code Section 409A Nonqualified Stock Options. You may exercise your Code Section 409A Nonqualified Stock Options within 60 days following the first to occur of an event described in paragraph (a) through (d) below. Notwithstanding the foregoing, in the event that such 60 day period covers more than one tax year of yours, your Code Section 409A Nonqualified Stock Options shall be exercised on the 60th day following the occurrence of the applicable event.

(a) Your death or "**Disability**" (as defined herein). Your "Disability" means (i) your inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or entitlement to and receipt of disability benefits under a disability insurance program of the Company that pays benefits on the basis of the foregoing definition; (ii) your, by reason of a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving either (A) income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company or (B) disability benefits under a disability insurance program that pays benefits on the basis of the foregoing definition; or (iii) you being determined to be totally disabled by the Social Security Administration.

(b) Your "separation from service" (as such term is defined by Code Section 409A).

(c) The date on which the Company experiences a Change in Control; provided that, such Change in Control constitutes a "change in the ownership or effective control" of the Company or a "change in the ownership of a substantial portion of the assets" of the Company (as such terms are defined by Code Section 409A).

(d) The date that is the nine year and nine month anniversary of the Grant Date.

Notwithstanding the foregoing, all of your Code Section 409A Nonqualified Stock Options shall be immediately forfeited and cancelled upon your termination of employment or service for Cause.

4. **No Shareholder Rights**. You shall not be entitled to vote, receive dividends or be deemed for any purpose the holder of any Shares and no Code Section 409A Nonqualified Stock Option or any interest therein may be sold, assigned, margined, transferred, encumbered, gifted, alienated, hypothecated, pledged or disposed of except by will or by the laws of descent and distribution, until the Code Section 409A Nonqualified Stock Option shall have been duly exercised to purchase such Shares in accordance with the provisions of this Agreement and the Plan and a certificate evidencing the Shares shall be issued by the Company, and all Code Section 409A Nonqualified Stock Options shall be exercisable during your lifetime only by you.

5. **Exercise and Issuance of Certificates**. The exercise of your Code Section 409A Nonqualified Stock Options shall be accompanied by payment in full of the Exercise Price or by other means approved by the Committee in writing. Within 60 days following the exercise of your Code Section 409A Nonqualified Stock Options, the Company shall cause certificates for the appropriate number of the Company's Shares to be issued to you.

6. **Award Subject to Plan**. This Award of Code Section 409A Nonqualified Stock Options is granted pursuant to the Plan, as in effect on the Grant Date, and is subject to all the terms and conditions of the Plan as the same may be amended from time to time and the rules, guidelines and practices governing the Plan adopted by the Committee; provided, however, that no such amendment shall materially impair your rights under this Agreement without your consent, unless required to comply with applicable law. A copy of the Plan and the prospectus has been furnished to you. The Company shall, upon written request, send a copy of the Plan, in its then current form, and the prospectus, in its then current form, to you. In the event of any conflict between the terms, conditions and provisions of the Plan and this Agreement, the terms, conditions and provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly.

7. **Payment of Withholding Taxes**. If the Company becomes obligated to withhold an amount on account of any federal, state or local income tax imposed as a result of this Award of Code Section 409A Nonqualified Stock Options or the exercise of Code Section 409A Nonqualified Stock Options (such amounts shall be referred to herein as the "Withholding Liability"), you agree to pay the Withholding Liability to the Company at such time and in such manner as is required by the Company. The obligations of the Company under the Plan and this Agreement shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such Withholding Liability from any payment otherwise due to you.

8. **Notices**. All notices and other communications required or permitted to be given under the Plan or this Agreement shall be in writing or other form approved by the Committee and shall be deemed to have been duly given as follows (a) if to the Company mailed first class, postage prepaid to Professional Diversity Network, Inc., 801 W. Adams St., Ste. 600, Chicago, Illinois 60607, to the attention of the Secretary of the Company; or (b) if to you then delivered personally, mailed first class, postage prepaid at your last address known to the sender at the time the notice Or other communication is sent or delivered, or by e-mail, interoffice mail, intranet or other means of office communication determined by the Committee.

9 . **Stock Exchange Requirements; Applicable Laws**. You agree to comply with all laws, rules, and regulations applicable to the grant and vesting of each Award of Code Section 409A Nonqualified Stock Options and the sale or other disposition of Shares received pursuant to each Award of Code Section 409A Nonqualified Stock Options, including, without limitation, compliance with the Company's insider trading policies. The Shares you receive under the Plan will have been registered under the Securities Act of 1933, as amended (the "**1933 Act**"). If you are an "affiliate" of the Company, as that term is defined in Rule 144, promulgated pursuant to the 1933 Act ("**Rule 144**"), you may not sell the Shares received pursuant to an Award of Code Section 409A Nonqualified Stock Options except in compliance with Rule 144. Certificates representing Shares issued to an "affiliate" of the Company may bear a legend setting forth such restrictions on the disposition or transfer of the Shares as the Company deems appropriate to comply with federal and state securities laws.

10. Section 409A.

(a) It is intended that this Agreement comply in all respects with the requirements of Section 409A of the Code and applicable Treasury Regulations and other generally applicable guidance issued thereunder (collectively, "**Section 409A**"), and this Agreement shall be interpreted for all purposes in accordance with this intent.

(b) Notwithstanding any other term or provision of this Agreement (including any term or provision of the Plan incorporated herein by reference), you agree that, from time to time, the Company may, without your prior notice to or consent, amend this Agreement to the extent determined by the Company, in the exercise of its discretion in good faith, to be necessary or advisable to prevent the inclusion in your gross income pursuant to the applicable Treasury Regulations of any compensation intended to be deferred hereunder. The Company shall notify you as soon as reasonably practicable of any such amendment affecting you.

(c) If the amounts payable under this Agreement are subject to any taxes, penalties or interest under Section 409A, you shall be solely liable for the payment of any such taxes, penalties or interest.

(d) Except as otherwise specifically provided herein, the time and method for payment of the Code Section 409A Nonqualified Stock Options shall not be accelerated or delayed for any reason, unless to the extent necessary to comply with, or as may be permitted under, Section 409A.

(e) If you are deemed on the date of a "separation fi-om service" (within the meaning of Code Section 409A) to be a "specified employee" (within the meaning of that term under Code Section 409A(a)(2)(B) and determined using any identification methodology and procedure selected by the Company from time to time, or the default methodology and procedure specified under Code Section 409A, if none has been selected by the Company), then with regard to any payment or the provision of any benefit that is "nonqualified deferred compensation" within the meaning of Section 409A and that is paid as a result of your "separation from service," such payment or benefit shall not be made or provided prior to the date that is the earlier of (i) the expiration of the six (6)-month period measured from the date of your "separation from service," and (ii) the date of your death (the "**Delay Period**"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this provision (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to you in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. For purposes of Section 409A, a distribution of Shares following the exercise of a Code Section 409A Nonqualified Stock Option shall constitute a "payment" thereof.

11. **No Employment or Continued Service Rights**. Nothing contained herein shall be deemed to alter the relationship between the Company or an Affiliate and you, or the contractual relationship between you and the Company or an Affiliate if there is a written contract regarding such relationship. Nothing contained herein shall be construed to constitute a contract of employment or service between the Company or an Affiliate and you. The Company or an Affiliate and you continue to have the right to terminate the employment or service relationship at any time for any reason, except as otherwise provided in a written contract. The Company or an Affiliate shall have no obligation to retain you in its employ or service as a result of the Plan, this Agreement or the Award of Code Section 409A Nonqualified Stock Options. There shall be no inference as to the length of employment or service hereby, and the Company or an Affiliate reserves the same rights to terminate your employment or service as existed prior to you becoming a Participant in the Plan, entering into this Agreement or receiving the Award of Code Section 409A Nonqualified Stock Options.

12. **Governing Law and Venue**. This Agreement and the Award of Code Section 409A Nonqualified Stock Options granted hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Delaware, without regard to conflict of law principles thereof. In the event of litigation arising in connection with actions under this Agreement and/or the Award of Code Section 409A Nonqualified Stock Options, you agree that you shall submit to the jurisdiction of courts located in Cook County, Illinois, or to the federal district court located in Cook County, Illinois.

13. **Entire Agreement**. This Plan and this Agreement constitute the entire agreement with respect to the subject matter hereof and thereof, provided that in the event of any inconsistency between the Plan and this Agreement, the terms and conditions of the Plan shall control.

14. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[Signature Page Immediately Follows]

IN WITNESS WHEREOF, this Professional Diversity Network, Inc. 2013 Equity Compensation Plan Nonqualified Stock Option Agreement is executed by the parte s on the Grant Date.

PROTESSIONAL DIVERSITY NETWORK, INC.

By: /s/ David Mecklenburger
Printed: David Mecklenburger
Title: CFO

ACCEPTED AND AGREED TO:

/s/ Matthew B. Proman
Matthew B. Proman

EXHIBIT A

Schedule of Award

Professional Diversity Network, Inc.
2013 Equity Compensation Plan
Code Section 409A Nonqualified Stock Option Award

PARTICIPANT INFORMATION: Matthew B. Proman

GRANT DATE: July 11**,** 2014

NUMBER OF SHARES AWARDED: 183,000

EXERCISE PRICE PER SHARE: $3.45

EXPIRATION DATE OF AWARD: **No** later than 10th anniversary of Grant Date for U.S. Participants

VESTING SCHEDULE:

Number of Shares Vested	Vesting Date
183,000	Fully Vested on Grant Date

Exhibit 31.1

CERTIFICATIONS

I, James Kirsch, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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; and

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: November 14, 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 quarterly report on Form 10-Q 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; and

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: November 14, 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
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, for the purposes of 18 U.S.C. Section 1350, in his capacity as an officer of Professional Diversity Network, Inc. (the "Company"), that, to such person's knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2014, as filed with the Securities and Exchange Commission (the "Report"),fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2014

/s/ James Kirsch
James Kirsch
Chief Executive Officer

/s/ David Mecklenburger
David Mecklenburger
Chief Financial Officer

This certification is not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification is not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference.