

Professional Diversity Network, Inc.
Form 10-K
March 31, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2014
Or
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 001-35824

Professional Diversity Network, Inc.
(Exact name of registrant as specified in its charter)
Delaware 80-0900177
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

801 W. Adams Street, Suite 600, Chicago, Illinois 60607
(Address of Principal Executive Offices)
Telephone: (312) 614-0950

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

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

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No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>
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(Do not check if a 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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, was \$18,452,452 (based on a price per share of \$4.07, the price at which the common shares were last sold as reported on the NASDAQ Capital Market on such date).

There were 12,928,072 shares outstanding of the registrant's common stock as of March 31, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Part III: Portions of the definitive proxy statement to be filed with the Securities and Exchange Commission ("SEC") in connection with the solicitation of proxies for the registrant's 2015 Annual Meeting of Stockholders are incorporated by reference into Part III, or, in the event the registrant does not prepare and file such proxy statement, will be provided instead by an amendment to this report containing the applicable disclosures within 120 days after the end of the fiscal year covered by this report. (With the exception of those portions which are specifically incorporated by reference in this report, any such proxy statement is not deemed to be filed or incorporated by reference as part of this report.)

PROFESSIONAL DIVERSITY NETWORK, INC.

FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2014
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Annual Report”), including Part I, Item 1. “Business” and Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts and often use words such as “may,” “plan,” “contemplate,” “anticipate,” “believe,” “intend,” “continue,” “expect,” “project,” “predict,” “estimate,” “could,” “should,” “wo “target” and similar expressions. Forward-looking statements are not guarantees of future results or performance and by their nature involve certain risks and uncertainties that are based on management’s beliefs and assumptions and on the information available to management at the time that these disclosures were prepared. Actual outcomes and results may differ materially from those expressed in, or implied by, any forward-looking statements. Examples of forward-looking statements include estimates with respect to our financial condition, expected or anticipated income, results of operations and business that are subject to various factors, risks and uncertainties, which could cause actual results to differ materially from these estimates, including, without limitation, the following:

- failure to realize synergies and other financial benefits from mergers and acquisitions within expected time frames, including increases in expected costs or difficulties related to integration of merger and acquisition partners;
- inability to identify and successfully negotiate and complete additional combinations with potential merger or acquisition partners or to successfully integrate such businesses, including our ability to realize the benefits and cost savings from, and limit any unexpected liabilities acquired as a result of, any such business combinations;
- our historical dependence on two customers, LinkedIn, which ceased being a customer as of March 29, 2014, and Apollo Group, which ceased being a customer as of October 9, 2014;
 - our operating loss in 2013 and 2014;
 - our limited operating history in a new and unproven market;
 - increasing competition in the market for online professional networks;
- our ability to comply with increasing governmental regulation and other legal obligations related to privacy;
 - our ability to adapt to changing technologies and social trends and preferences;
- our ability to attract and retain a sales and marketing team, management and other key personnel and the ability of that team to execute on the Company’s business strategies and plans;
 - our ability to obtain and maintain intellectual property protection for our intellectual property;
 - any future litigation regarding our business, including intellectual property claims;
 - general and economic business conditions; and
 - legal and regulatory developments.

Additional factors, risks and uncertainties that may affect our results are discussed in Item 1A. “Risk Factors” of this Annual Report beginning on page 10, and in our subsequent filings with the SEC. You should consider these factors, risks and uncertainties when evaluating any forward-looking statements and you should not place undue reliance on any forward-looking statement. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.

PROFESSIONAL DIVERSITY NETWORK, INC.
PART I

ITEM 1 - BUSINESS

Unless we specify otherwise, all references in this Annual Report to the “Company,” “we,” “our,” and “us” 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., and its consolidated subsidiaries, after our reorganization. For purposes of this Annual Report, unless the context clearly dictates otherwise, all references to “professional(s)” means any person interested in the Company’s websites presumably for the purpose of career advancement or related benefits offered by the Company, whether or not such person is employed and regardless of the level of education or skills possessed by such person. The Company does not impose any selective or qualification criteria on membership and the term “professional(s)” as used in this Annual Report should be interpreted accordingly. In addition, the Company does not verify that any member of a particular Company website qualifies as a member of the ethnic, cultural or other group identified by that website. References to “user(s)” means any person who visits one or more of our websites and “our member(s)” means an individual user who has created a member profile on that website as of the date of measurement. If a member is inactive for 24 months then such person will be automatically de-registered from our database. The term “diverse” (or “diversity”) is used throughout this Annual Report to include communities that are distinct based on a wide array of criteria which may change from time to time, including ethnic, national, cultural, racial, religious or gender classification.

Overview

The Company was originally formed as IH Acquisition, LLC under the laws of the State of Illinois on October 30, 2003. On February 4, 2004, the Company changed its name to iHispano.com LLC. In 2007, the Company changed its business platform and implemented technology to become the operator of communities of professional networking sites for diverse professionals. On March 15, 2012, the Company changed its name to Professional Diversity Network, LLC. On March 5, 2013, the Company reorganized its business, converting from an LLC into a Delaware corporation, in conjunction with its initial public offering of common stock.

The Company’s principal executive offices are located at 801 W. Adams Street, Suite 600, Chicago, Illinois, 60607 and its telephone number is (312) 614-0950. The Company’s website address is www.prodivnet.com. The information on our website is not incorporated by reference in this Annual Report and you should not consider it a part of this Annual Report.

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”), Noble Voice LLC and Compliant Lead LLC, each of which is a wholly-owned subsidiary of the Company and together provide career consultation services. The NAPW Network became part of the Company on September 24, 2014 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 (“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 of the transaction, 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, remains 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 700,000 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 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 Students and Graduates seeking to transition from education to career. The purpose of the PDN Network is 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. Our technology platform is integral to the operation of this business. In so doing, our online platform provides employers a means to identify and acquire diverse talent and assist them with their efforts to comply with the regulations and requirements of the Equal Employment Opportunity-Office of Federal Contract Compliance Program ("OFCCP").

As of December 31, 2014, the Company had approximately 3,487,000 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.

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 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 has enabled 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 to which we matched them, confirm that 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 HireAdvantEdge 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 cost to members, reinforcing the membership value proposition and creating long-term value. In addition to HireAdvantEdge, Professional Diversity Network provides alternative values to members who are employed or are seeking employment, including, but not limited to, our patented resume optimizing service (Resunate), our semantic search job alerts and a new professional networking platform based upon PDN's core networking technology.

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 the next few years, NAPW expects to host networking events in major markets around the nation, which will leverage the existing PDN events platform. 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 future years, NAPW Network members will be able to attend any or all of our PDN Network events. Non-members may also attend, subject to certain restrictions.

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 HireAdvantEdge product 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 exhibitors who recruit at the PDN events that will allow such exhibitors to participate in the NAPW membership networking event and meet members who may be potential employees for their companies. Exhibitors 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.

Key Historical Alliances

The Company's revenues from the PDN Network were historically highly dependent on two customers: LinkedIn Corporation ("LinkedIn") and Apollo Education Group, Inc. ("Apollo Group"). These two customers accounted for 14.0%, or approximately \$1,628,000, of total gross revenues for the fiscal year ended December 31, 2014, with LinkedIn representing 4.2% and Apollo Group representing 9.8% of total gross revenues.

LinkedIn

The Company entered into an agreement with LinkedIn that became effective on January 3, 2013 and which, pursuant to a notice of termination delivered December 31, 2013, terminated on March 29, 2014. LinkedIn did not provide a reason for the termination of the agreement. The end of the Company's reseller relationship with LinkedIn during the first quarter of 2014 materially and adversely affected the Company's business, operating results and financial condition.

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During the term of the agreement, LinkedIn resold to its customers diversity-based job postings and recruitment advertising on our websites. Our agreement with LinkedIn provided that LinkedIn made fixed quarterly payments to us in the amount of \$500,000 per quarter during the term of the agreement. Under the LinkedIn agreement, we also may have earned commissions for sales of our services by LinkedIn in excess of certain thresholds. The fixed quarterly payments were payable regardless of sales volumes or any other performance metric. The Company did not receive any additional commissions from LinkedIn during the term of the agreement with LinkedIn. Our revenue derived from the LinkedIn contract during the years ended December 31, 2014 and 2013 was \$494,000 and \$2,000,000 respectively, the amount of the guaranteed payments for such years.

During the term of our agreement with LinkedIn, we were prohibited from permitting any competitor of LinkedIn to resell our diversity-based recruitment services. Our agreement did not prohibit LinkedIn from selling its own or any third party's diversity recruitment services, however, during the term of our agreement with LinkedIn, and for a period of one year thereafter, we agreed not to sell our diversity-based recruitment services, directly or indirectly, to any of the 1,000 companies on LinkedIn's restricted account list. The companies on the restricted accounts list are of varying sizes, operate in diverse geographical locations and conduct business in different sectors. However, since the termination of the LinkedIn agreement, we have been 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 no longer applies.

University of Phoenix

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.

Seasonality

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

Acquisitions

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

Merger with NAPW

As discussed above, the NAPW Network became part of the Company on September 24, 2014 upon the closing of the Company's merger transaction with Merger Sub, Old NAPW and Proman, the sole shareholder of Old NAPW, pursuant to the Merger Agreement. In accordance with the terms of the Merger Agreement, on the closing date of the transaction, Old NAPW merged with and into Merger Sub, and as a result, the separate corporate existence of Old

NAPW ceased and Merger Sub continues as the surviving corporation, remains a wholly-owned subsidiary of the Company and was renamed “NAPW, Inc.” The Merger has resulted in the realization of number of benefits to both the PDN Network and the NAPW Network that we believe enhance the value of both networks and will position the Company for future growth.

Acquisition of Noble Voice

On November 26, 2014, the Company acquired the assets of Global Outreach Ventures, Inc. (“Global Outreach”), a career consultation company. The principal assets of Global Outreach consisted of its two subsidiaries, Noble Voice LLC and Compliant Lead LLC (collectively, “Noble Voice”), which together employ approximately 300 full and part-time employees located in Detroit, Michigan and Darien, Illinois. In connection with the acquisition, Noble Voice LLC and Compliant Lead LLC became wholly-owned subsidiaries of the Company, and the Company issued 300,000 shares to the owners of Global Outreach and assumed a promissory note in the amount of approximately \$1,400,000, but subject to modification based upon collected accounts receivable and assumed accounts payable included among these assets.

Others

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

Industry Background and Our Opportunity

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

Increasing Socialization of the Internet

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

Demographic Trend Toward Women’s Career Advancement

We believe that favorable demographic trends will facilitate growth in NAPW’s membership base. According to the U.S. Bureau of Labor Statistics’ Monthly Labor Review (January 2012), there were nearly 72 million women in the workforce in 2010. This number is expected to increase to 76.5 million women by 2022. Of these working women, approximately 73% have “white collar” jobs. Women also make up the majority of professional and related occupations (57.1%) and service occupations (56.6%), the occupations expected to grow most rapidly in the period that began in 2008 and extends through 2018. We believe that our targeted membership base for NAPW of professional women have a higher than average household income as compared to the national average, and that the demographic trend towards women’s advancement will have a favorable impact on demand for NAPW membership and related products and service offerings.

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

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

Regulatory Environment Favorable to Promoting Diversity in the Workplace

In September of 1965, President Johnson signed Executive Order 11246 to establish a policy of non-discrimination in employment by government contractors and suppliers. For nearly fifty years the Office of Federal Contract Compliance Programs (“OFCCP”) has enforced this order. Reaffirming this commitment, on August 18, 2011, President Obama signed Executive Order 13583 to establish a coordinated government-wide initiative to promote diversity and inclusion in the federal workforce. This Executive Order requires companies considering contracting with the federal government to be prepared to demonstrate the diversity of their workforce. Certain companies that have federal contracts are subject to this Executive Order.

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

Rising Spending Power of Diverse Population

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

Acceptance and Growth of Online Recruitment and Advertisement

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

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

Operations

PDN is headquartered in Chicago, Illinois. Our home office houses our CEO, CFO and General Counsel, as well as many of our sales, marketing and IT personnel. Websites for the PDN Network are hosted by Engine Yard based in San Francisco, California. Engine Yard provides a robust and easy platform for our hosting needs, allowing us to easily scale up resources to meet our peak needs. It also allows us to quickly and easily deploy website updates. Our

websites have backup and contingency plans in place in the event that an unexpected circumstance occurs.

Membership service operations for the NAPW Network are located in Garden City, New York and Los Angeles, California. The primary focus of this group is to reach out to those who have responded to NAPW direct response advertising indicating an interest learning more about membership, or becoming a member. The membership coordinators speak to them about the varying tiers of membership available, gather information about them to create their online profile and process the sale of memberships. In addition, there are customer service representatives in both locations who handle in-bound member inquiries that include questions about logging on to the NAPW website, local chapter events in their areas, general NAPW member benefits and payment inquiries. NAPW's publication operations are also based in Garden City, New York. NAPW's internal marketing, creative and writing teams develop its newsletter, which is distributed via e-mail to all NAPW Network members on a monthly basis.

Noble Voice maintains call centers in Darien, Illinois and Detroit, Michigan. Our call centers handle approximately 20,000 career consultations per week, taking calls from those who have responded to our online advertising and conducting consultations to help determine callers' qualifications and fit for jobs available from our strategic partners. Most recently, our call centers have begun to qualify callers for real-time job placement through our HireAdvantEdge product.

Intellectual Property

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

We rely on trade secret, copyright and trademark rights to protect our intellectual property. We pursue the registration of our domain names and trademarks in the United States. Our registered trademarks in the United States include the "iHispano" mark with stylized logo, the "Black Career Network" mark with stylized logo, the "Professional Diversity Network" mark with our tagline "the power of millions for the benefit of one," the name "National Association of Professional Women" and "NAPW," and the taglines "Power to Be You," and "Endless Opportunities," as well as others. We also own the copyrights to certain articles in NAPW publications.

We strive to exert control over access to our intellectual property and customized technology by entering into confidentiality and invention assignment agreements with our employees and contractors and confidentiality agreements with third parties in the ordinary course of our business.

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

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

Competition

We face significant competition in all aspects of our business. Specifically, with respect to our members and our recruitment consumer advertising and marketing solutions, we compete with existing general market online professional networking websites, such as LinkedIn, as well as ethnic minority focused social networking websites, such as Black Planet and MiGente, and other companies such as Facebook, Google, Microsoft and Twitter that are developing or could develop competing solutions. We also generally compete with online and offline enterprises, including newspapers, television and direct mail marketers that generate revenue from recruiters, advertisers and

marketers, and professional organizations. With respect to our hiring solutions, we also compete with traditional online recruiting companies such as Career Builder, talent management companies such as Taleo, and traditional recruiting firms.

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

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Dedicated Focus on Diverse Professionals. Our focus on providing career opportunities for diverse professionals differentiates us from other online social networking websites, such as Facebook. We believe our websites have a distinctly career-oriented feel and utility when compared with other online social networking websites. We believe that users prefer to manage their professional and social identities and contacts separately. While other online professional networking websites, such as LinkedIn, also have a professional focus, we are singularly focused on diverse professionals in the United States. We believe that we communicate effectively with each of our diverse communities and create environments that harness a natural affinity among members of common culture, ethnicity, gender, orientation, nationality and experience to stimulate increased member trust, networking and engagement.

Platform That Harnesses the Power of Web Socialization. We believe that our membership base will continue to grow and that our platform will be an increasingly powerful tool that enables our members to leverage their connections and shared information for the collective benefit of all of the participants on our platform. We believe that we are the first online professional network to focus on the diversity recruitment sector.

Relationships with Strategic Partners. We believe that our relationships with strategic partners are difficult to replicate and give us a competitive advantage in the networking opportunities, career tools and resources we can offer to our members, as well as the diverse audiences we can access for employers and advertisers.

Relationships with Professional Organizations. Our team has experience working with multicultural professional organizations. We partner with a number of leading minority professional organizations, including:

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

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

We believe that the following elements give us a competitive advantage with respect to the NAPW Network:

Exclusive Focus on Professional Women. As a result of NAPW's exclusive focus on professional women, we believe that through NAPW we provide a unique, secure and less intimidating environment within which our members can successfully network and establish new and lasting business relationships.

Attractive Industry Demographic Trends. Favorable demographic trends regarding women's participation in the labor force will further the growth in NAPW's membership base and we have first-mover advantage with respect to generalized professional networking for women.

Large, growing and diverse national membership base. We believe that NAPW is the largest women-only networking organization in the United States by number of members, with nearly 700,000 members located in all 50 states, Puerto Rico and the U.S. Virgin Islands. The membership base of the NAPW Network is diverse in terms of ethnicity, age, income, experience, industry and occupation. It includes members from small and large corporations, as well as entrepreneurs and business owners. We believe the diversity of the NAPW Network membership base is a key component of its value.

Comprehensive Product and Service Offerings to Deliver Value to Members. We believe that our comprehensive product offerings provide women valuable tools to help them advance their careers and expand their businesses. Through networking opportunities online and at local chapter events in their communities, regional events and the NAPW national Networking Conference, discounts provided on

seminars, webinars and educational certification courses, and opportunities to promote themselves and their businesses, NAPW members are provided the opportunities and tools for their professional development.

Business Model with Efficient Member Acquisition and Recurring Cash Flow. We believe that NAPW's direct marketing lead generation efforts, which utilize both direct mail and digital strategies, are among the most efficient in the industry as measured by our internal response and click-through rates. This efficiency, combined with our effective call center operations, results in what we believe to be our market leading members acquisition process and direct variable contribution. Further, NAPW memberships renew annually, providing a valuable recurring stream of cash flow.

Government Regulation

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

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

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

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

Our direct marketing operations with respect to the NAPW Network are subject to various federal and state "do not call" list requirements. The Federal Trade Commission has created a national "do not call" registry. Under these federal regulations, consumers may have their phone numbers added to the national "do not call" registry. Generally, we are prohibited from calling anyone on that registry. In September 2003, telemarketers were granted access to the registry and are now required to compare their call lists against the national "do not call" registry at least once every 31 days. Telemarketers are required to pay a fee to access the registry. Enforcement of the "do not call" provisions began in late 2003, and the rule provides for fines of up to \$16,000 per violation and other possible penalties. These rules may be construed to limit our ability to market our products and services to new customers. Further, we may incur penalties if we do not conduct our telemarketing activities in compliance with these rules.

Our opt-in process with respect to Noble Voice is governed by the provisions of the Telephone Consumer Protection Act of 1991 (“TCPA”) and other federal and state laws and regulations. Under these regulations, certain types of telephone solicitations are restricted and consumers must affirmatively opt in to being contacted by various methods including automated dialing systems and via text messaging. The TCPA provides for a private right of action against companies that violate its provisions, and allows consumers to sue for up to \$1,500 per violation. These regulations may be construed to limit our ability to market our products and services to new customers. Further, we may incur penalties if we do not conduct our opt-in process in compliance with these rules.

Employees

As of December 31, 2014, we had 515 total employees, of which 288 were full time employees. We also regularly engage independent contractors to perform various services. None of our employees are covered by a collective bargaining agreement. We believe that we have good relationships with our employees.

ITEM 1A - RISK FACTORS

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

Risks Related to Our Business and Strategy

Our revenues have historically been highly dependent on two customers, our agreements with both of whom terminated in 2014, and it is uncertain when, if ever, we can replace the revenues we received through our agreements with these customers.

Two of our customers, Apollo Group and LinkedIn, accounted for 14.0% and 85.2% in the aggregate of our total revenues for the years ended December 31, 2014 and 2013, respectively.

Following the termination of our agreements with Apollo Group and LinkedIn, we expect that our revenue may become more volatile for a period of time because our revenues will be principally dependent on our direct sales, revenues from monetizing Noble Voice career consultations and NAPW membership fees, which can vary, rather than the fixed quarterly and monthly fees of \$500,000 and \$116,667, respectively, paid to us by LinkedIn and Apollo Group, respectively. Failure to replace the \$500,000 per quarter and \$116,667 per month decrease in revenue we received from LinkedIn and Apollo Group, respectively, would materially and adversely affect our business, operating results and financial condition.

Our ability to grow recruitment revenue and recruitment advertising revenue through direct sales to customers is dependent on our direct sales team.

In 2013, we established a sales force to sell directly into companies seeking to hire diverse talent and to sell diversity recruitment advertising. During the course of 2013 and 2014, the Company optimized its sales team and continued to refine the manner in which its products and services were sold. While the Company made progress in growing its direct sales, we have not matured the sales force to the point of predictability, nor have we sold enough of our products and services to achieve profitability. Therefore, there is no assurance that we will be successful in selling our services directly to employers or selling diversity recruitment advertising.

If we do 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, we 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. Our ability to do so depends in large part on the success of our sales and marketing efforts. We do not

typically enter into long-term contracts with NAPW members, and even when we do, the members can generally terminate their relationship with us. Further, unlike companies with different business models, the nature of our 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.

We must demonstrate to NAPW Network members that our product and service offerings provide them with access to an audience of 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 we expand 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 we do not attract new members to the NAPW Network or if NAPW Network members do not renew their agreements for our 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.

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

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

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

We face significant competition in all aspects of our business, and we expect such competition to increase, particularly in the market for online professional networks.

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

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

Additionally, users of online social networks, such as Facebook, may choose to use, or increase their use of, those networks for professional purposes, which may result in those users decreasing or eliminating their use of our specialized online professional network. Companies that currently do not focus on online professional diversity networking could also expand their focus to diversity networking. LinkedIn may develop its own proprietary online diversity network and compete directly against us. To the extent LinkedIn develops its own network or establishes

alliances and relationships with others, our business, operating results and financial condition could be materially harmed. Finally, other companies that provide content for professionals could develop more compelling offerings that compete with us and adversely impact our ability to keep our members, attract new members or sell our solutions to customers.

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

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

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

We recognize revenue from sales of our hiring solutions on a quarterly basis based on activity related to the prior quarter. As a result, a significant portion of the revenue we report in each quarter is generated from agreements entered into during previous quarters. In addition, we may be unable to adjust our fixed costs in response to reduced revenue. Accordingly, the effect of significant declines in our ability to generate revenue may not be reflected in our short-term results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

Our systems are vulnerable to damage or interruption from catastrophic occurrences such as earthquakes, floods, fires, power loss, telecommunication failures, terrorist attacks, cyber-attacks and similar events. For systems which are not based in cloud storage, we have implemented a disaster recovery program, maintained by a third party vendor, which

allows us to move production to a back-up data center in the event of a catastrophe. Although this program is functional, it does not yet provide a real-time back-up data center, so if our primary data center shuts down, there will be a period of time that such website will remain shut down while the transition to the back-up data center takes place. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our hosting facilities could result in lengthy interruptions in our services. Furthermore, we do not carry business interruption insurance or cyber security insurance. Therefore, we will not be compensated by third party insurers in the event of service interruption or cyber-attack, and we face the risk that our business may never recover from such an event.

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

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

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

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

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

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

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

materially harming our business.

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

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

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

We are subject to a variety of laws and regulations in the United States, including laws regarding data retention, privacy and consumer protection, which are continually evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature and content of the materials searched, the ads posted or the content provided by users. In addition, regulatory authorities are considering a number of legislative and regulatory proposals concerning data protection and other matters that may be applicable to our business. It is difficult to predict how existing laws will be applied to our business and the new laws to which we may become subject. See the discussion included in “Business – Government Regulation” beginning on page 9 of this Annual Report.

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

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

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

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

As discussed elsewhere in this Annual Report, part of our growth plan is to acquire companies that we believe will add to and/or expand our service offerings. Although we currently have no agreements or commitments with respect to additional material acquisitions or investments in other companies, we may, from time to time, explore opportunities to acquire or consolidate some of the companies in our industry. Depending on the nature of the acquired entity or operations, integration of acquired operations into our present operations may present substantial difficulties. Even where material difficulties are not anticipated, there can be no assurance that we will not encounter such difficulties in integrating acquired operations with our operations, which may result in a delay or the failure to achieve anticipated synergies, increased costs and failures to achieve increases in earnings or cost savings. The difficulties of combining the operations of acquired companies may include, among other things:

- Possible conflicts and inconsistencies in information technology, or IT, infrastructures, which could make it costly or impossible to integrate our IT with the IT of our target;

- Possible inconsistencies in standards, controls, procedures and policies, business cultures and compensation structures between us and an acquired entity;

- difficulties in the retention of existing customers and attraction of new customers;

- difficulties in retaining key employees;

- the identification and elimination of redundant and underperforming operations and assets;

- diversion of management's attention from ongoing business concerns;

- the possibility of tax costs or inefficiencies associated with the integration of the operations; and

- loss of customer goodwill.

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

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

Under our agreement with LinkedIn, which terminated on March 29, 2014, we received quarterly payments from LinkedIn in the amount of \$500,000 and under our agreement with Apollo Group, which terminated on October 9, 2014, we received monthly payments from Apollo Group in the amount of \$116,667. In the future, even if our revenues increase, we may not be able to generate sufficient revenue to become profitable. In 2015, our strategy is to continue to invest for future growth and we will incur numerous expenses associated with being a publicly-traded company, and as a result we may not be profitable in 2015. In particular, we expect to continue to expend substantial financial and other resources on:

- Our technology infrastructure, including website architecture, development tools scalability, availability, performance and security, as well as disaster recovery measures;

• product development, including investments in our product development team and the development of new features;

• sales and marketing; and

• general administration, including legal and accounting expenses related to being a public company.

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

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

We believe that we have developed strong brands, particularly “iHispano” and “Black Career Network,” which we believe has contributed significantly in the success of our business. Additionally, we believe 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. That 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 all of our brands is critical to expanding the base of members for the NAPW Network and PDN Network and increasing their engagement with the product and services offerings of the 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 our brands and prevent their misuse, if others misuse any of our brands or pass themselves off as being endorsed or affiliated with the NAPW Network or the PDN Network, it could harm our reputation and our business could suffer. If members of any of our networks 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 the PDN Network, or if they choose to blend their professional and social networking activities, our brands and the business of the Company could be harmed. Members of any of our networks could find that new product or service offerings that are introduced are difficult to use or may feel that they degrade their experience with our organization, which could harm the reputation of the networks and the Company for delivering high-quality offerings. Our brands are also important in attracting and maintaining high performing employees. If we do not successfully maintain strong and trusted brands for our networks, the business of the Company could be harmed.

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

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

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

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

We are currently party to litigation and may in the future be subject to additional legal proceedings and litigation which may costly to defend and could materially and adversely affect our business results or operating and financial

condition.

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We are currently party to litigation and may be party to additional lawsuits in the normal course of business. Results of the litigation to which we are a party cannot be predicted with certainty and there can be no assurance that this litigation will be resolved in our favor. These matters are described in more detail under the heading “Legal Proceedings.” Litigation in general is often expensive and disruptive to normal business operations. We may face in the future allegations and lawsuits that we have infringed the intellectual property and other rights of third parties, including patents, privacy, trademarks, copyrights and other rights. Litigation, particularly intellectual property and class action matters, may be protracted and expensive, and the results are difficult to predict. Adverse outcomes may result in significant settlement costs or judgments, require us to modify our products and features while we develop non-infringing substitutes or require us to stop offering certain features.

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

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

We are highly dependent on our management and other key employees, including our Chief Executive Officer, Jim Kirsch, our Vice President and Chief Operating Officer, Matthew B. Proman, and our President, Star Jones. The skills, knowledge and experience of these individuals, as well as other members of our management team, are critical to the growth of the Company. In particular, with respect to the NAPW Network, Mr. Proman has knowledge regarding the direct mail marketing and business contacts that would be difficult to replace, and Ms. Jones provides significant leadership in the professional women’s networking space that no other officer of the Company possesses. Our future performance will be dependent upon the continued successful service of members of our management and key employees. We do not maintain key man life insurance for any of the members of our management team or other key personnel. Competition for management in our industry is intense, and although we have entered into employment agreements with Messrs. Kirsch and Proman and Ms. Jones, we may not be able to retain our management and key personnel or attract and retain new management and key personnel in the future, which could materially and adversely affect our business, results of operations and financial condition.

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

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

discontinue or alter their current open platform policy it could have a negative impact on our user experience and our ability to compete in the same manner we do today.

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

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

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

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

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

Under GAAP, the Merger with Old NAPW 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 survived consummation 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 has experienced net losses in the past 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 businesses of the PDN Network, the NAPW Network and Noble Voice LLC and Compliant Lead LLC in the expected time frame may adversely affect the Company's future results.

The success of the Company depends, in part, on our ability to realize the anticipated benefits from combining the business of the PDN Network, the NAPW Network and Noble Voice. To realize these anticipated benefits, the business of the NAPW Network must be successfully integrated and combined with the PDN Network, and the Noble Voice business must be combined with both as well. Each of the PDN Network, the NAPW Network and Noble Voice were previously operated by separate and independent companies, and we now face significant challenges in consolidating the functions of the three businesses and integrating both companies' technologies, organizations, procedures, policies and operations, as well as addressing the different business cultures at the three companies and retaining key personnel. If the businesses are not successfully integrated, the anticipated benefits of these business combinations 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 these business combinations may also disrupt the ongoing business of the PDN Network, the NAPW Network and Noble Voice and/or adversely affect relationships with employees, customers and others with whom each business has relationships.

Risks Related to Our Common Stock

Our directors, executive officers and significant stockholders have substantial control over the Company and could limit your ability to influence the outcome of key transactions, including changes of control.

Our directors and executive officers and their affiliated entities, in the aggregate, beneficially own approximately 64.4% of our outstanding common stock. In particular, Mr. Proman, our Executive Vice President and Chief Operating Officer, who beneficially owns approximately 40.1%, together with Mr. Kirsch, our Chairman and Chief Executive Officer, and Star Jones, our President, beneficially own approximately 58.3% in the aggregate of our outstanding common stock, and are able to control or influence significantly all matters requiring approval by our stockholders, including the election of directors. Stockholders other than these principal stockholders are therefore likely to have little influence on decisions regarding such matters. These stockholders may have interests that differ from yours, and they may vote in a way with which you disagree and that may be adverse to your interests. The concentration of ownership of our common stock may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and may affect the market price of our common stock. This concentration of ownership also limits the number of shares of stock likely to be traded in public markets and therefore will adversely affect liquidity in the trading of our common stock. This concentration of ownership of our common stock may also have the effect of influencing the completion of a change in control that may not necessarily be in the best interests of all of our stockholders.

The market price for our securities may be subject to wide fluctuations and the value of an investment in our common stock may decline.

The trading price of our common stock has been, and is likely to continue to be, volatile. Since shares of our common stock were sold in our initial public offering at a price of \$8.00 per share, our stock price has ranged from \$2.77 to \$8.20 through March 30, 2015. In addition to the factors discussed in this Annual Report, the trading price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including price and volume fluctuations in the stock market, including as a result of trends in the economy as a whole or relating to companies in our industry; actual or anticipated fluctuations in our revenue, operating results or key metrics, including our number of members and unique visitors; investor sentiment with respect to our competitors, our business partners and our industry in general; announcements by us or our competitors of significant products or

features, technical innovations, strategic partnerships, joint ventures or acquisitions; additional shares of our common stock being sold into the market by us or our existing stockholders or the anticipation of such sales; and other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

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

The 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.

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, pursuant to the terms of the registration rights agreement, we have filed a shelf registration statement on Form S-3 with the SEC to register such shares for sale in secondary public offerings by the holders of the shares. We are required to keep this registration statement effective for the earlier of three years 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.

Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.

The market price of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers, employees, significant stockholders and recipients of shares issued in connection with the Merger with NAPW, a large number of shares of our common stock becoming available for sale or the perception in the market that holders of a large number of shares intend to sell their shares.

We also expect to register shares of our common stock that we may issue under our employee equity incentive plans. Once registered, these shares will be able to be sold freely in the public market upon issuance.

In addition, on December 31, 2014, we filed a universal shelf registration statement on Form S-3 (File No. 333-201341), which provides for the potential issuance of shares of our common stock, preferred stock, depositary shares, rights, warrants, units and debt securities up to an aggregate amount of \$100,000,000 and the resale of up to 6,309,845 shares of our common stock originally issued to the former sole shareholder of Old NAPW and certain executive officers of Old NAPW. The shares of common stock issued under the universal shelf registration statement, once the registration statement is declared effective, will be freely tradable without restriction or further registrations under the Securities Act.

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

Our common stock trades on the NASDAQ Capital Market ("NASDAQ"). However, we cannot assure you that our common stock will meet the continued listing requirements to be listed on NASDAQ in the future. The continued

listing standards for the NASDAQ Capital Market include, among others, a minimum bid price requirement of \$1.00 per share and any of: (i) a minimum stockholders' equity of \$2.5 million; (ii) a market value of listed securities of at least \$35.0 million; or (iii) net income from continuing operations of \$500,000 in the most recently completed fiscal year or in the two of the last three fiscal years.

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

• a limited availability of market quotations for our securities;

• determination that our common stock is a “penny stock” which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our common stock;

• a limited amount of news and analyst coverage for our company; and

• a decreased ability to issue additional securities or obtain additional financing in the future.

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

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

• authorize our board of directors to issue, without further action by the stockholders, up to 1,000,000 shares of undesignated preferred stock;

• establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors, and also specify requirements as to the form and content of a stockholder’s notice;

• provide that our directors may be removed only for cause and only by the affirmative vote of at least a majority of the total voting power of our outstanding capital stock, voting as a single class; and

• do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock voting in any election of directors to elect all of the directors standing for election, if they should so choose).

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

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

Management, through documentation, testing and assessment of our internal control over financial reporting has concluded that our internal control over financial reporting had a material weakness related to deficiencies in controls over the segregation of incompatible duties and the application of complex accounting principles as of December 31, 2014. See Item 9A. "Controls and Procedures." While we believe we have other controls in place that are operating effectively and mitigate the risk of material misstatement, these control deficiencies could result in a misstatement of the presentation and disclosure of our financial statements that would result in a material misstatement in our annual or interim financial statements that would not be prevented or detected.

During 2014 and into the first quarter of 2015, we undertook certain improvements to remediate material weaknesses related to our internal control over financial reporting for the period ended December 31, 2014. Specifically, we implemented new policies to more fully segregate incompatible duties and enhance the overall internal control structure. Additional procedures were written supporting which functions employees with access to the general ledger system can access, which will provide additional internal control enhancements. In addition, we hired additional finance personnel to improve our segregation of incompatible duties within our accounting and financial reporting functions and also engaged a third party external financial reporting specialist with expertise in GAAP and SEC reporting regulations.

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

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

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

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

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

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

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

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

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

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

ITEM 1B - UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2 - PROPERTIES

We lease approximately 4,600 square feet of space for our headquarters in Chicago, Illinois under a lease that expires on June 30, 2015. The Company is in the process of renewing this lease. We also lease approximately 1,900 square feet of office space in Minnetonka, Minnesota for our Events division under a lease that expires September 30, 2015. We are currently evaluating the possibility of extending that lease and/or the cost-benefit of identifying a new space should extension not prove feasible.

NAPW, our wholly-owned subsidiary, leases approximately 20,000 square feet of office space in Garden City, New York, under a lease that expires February 28, 2019 which is used by NAPW membership coordinators and executive and administrative staff. NAPW previously also leased approximately 15,000 square feet of office space in Jericho, New York. In November 2014, we entered into an agreement to sublease this space for the duration of the lease.

We also lease approximately 10,000 square feet of office space in Los Angeles, California for use as an NAPW sales and marketing office under the terms of a lease that expires December 1, 2018.

Noble Voice leases approximately 16,000 square feet of office space in Darien, Illinois which serves as its headquarters and sales center. The lease expires August 31, 2017. The Company also has a sales office in Detroit, Michigan under the terms of a sublease that expires August 31, 2015.

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

ITEM 3 - LEGAL PROCEEDINGS

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 on January 3, 2013 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 on September 25, 2013 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 advanced stages of discovery. In February of 2015 the defendants, in conjunction with their insurance carrier, made an offer of judgment to the federal plaintiffs. In March of 2015 two of the federal plaintiffs accepted the offers of judgment and are now removed from the case, leaving two federal plaintiffs. 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.

Noble Voice LLC, a wholly-owned subsidiary of the Company acquired in connection with the Global Outreach acquisition, is party to litigation captioned as Expand, Inc. v. Noble Voice LLC et al., CASE NO.: 2014-CA-9366 A (Orange County, FL Circuit Court) pursuant to which Expand, Inc., d/b/a SoftRock, Inc. (“SoftRock”) filed a complaint against Noble Voice LLC and certain other defendants (the “Noble Voice Defendants”) on or about September 10, 2014 alleging the existence of a purported conspiracy by Noble Voice and the other defendants to breach the individual Noble Voice Defendants’ Non-Compete Agreements and separate Confidentiality Agreements, misappropriation of trade secrets by some but not all Noble Voice Defendants, tortious interference and seeking injunctive relief. On March 2, 2015 the defendants filed their motion to dismiss all claims. That motion, which if granted would dispose of the claims against defendants, is pending. The outcome of this lawsuit is uncertain, however, we believe that the claims asserted are without merit and we intend to defend against the claims vigorously.

We are also generally subject to legal proceedings and litigation arising in the ordinary course of business. We are not aware of any governmental authority contemplating any legal proceeding against us.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

ITEM 4A – EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	Age	Position
James Kirsch	54	Chief Executive Officer and Chairman of the Board
Star Jones	53	President and Director
Matthew Proman	39	Executive Vice President, Chief Operating Officer and Director
David Mecklenburger	54	Chief Financial Officer
Christopher Wesser	45	Executive Vice President, General Counsel and Secretary
Chad Hoersten	38	Chief Technology Officer
Daniel Sullivan	45	Chief Revenue Officer
John Michael Hall	64	Executive Vice President
Jorge Perez Izquierdo	47	Executive Vice President

James Kirsch has served as our Chief Executive Officer, as a member of our management board since 2008 and as the Chairman of the Board since the consummation of our initial public offering in March 2013. Mr. Kirsch served as Chief Strategic Officer at AMightyRiver.com, a division of the Company from 2004 to 2008 and from 1996 to 2001 as Chief Executive Officer of eSpecialty Brands, an online retail company. Previously, Mr. Kirsch served as Chief Executive Officer at iMaternity.com, the ecommerce partner of iVillage.com from 1983 to 1996 and Manager, Vice President and Chief Operating Officer at Dan Howard Industries, a vertically integrated retailer of apparel. He holds a B.S. in Economics and Political Science from University of Arizona.

Star Jones joined NAPW in September 2011 as its National Spokesperson and became its Chief Development Officer in May 2013 and President in June 2014. Ms. Jones became the “face” of NAPW, tasked with conveying the message, brand and image of NAPW worldwide. As President, she has responsibility for the overall development, expansion and implementation of NAPW’s development and programming strategy. For the last 25 years, Ms. Jones has been a licensed attorney in the State of New York and was formerly a New York homicide prosecutor. Ms. Jones has worked in television for more than 20 years as a journalist, talk show host, commentator, NBC News Legal Correspondent and Veteran Legal Analyst and co-host of ABC’s The View for nine years. She is also regularly seen on NBC’s Today Show and CNN’s Piers Morgan Live as a veteran law and news analyst. Ms. Jones is also an accomplished author who has written two best-selling non-fiction books, You Have to Stand for Something, or You’ll Fall for Anything and Shine...a Physical, Emotional & Spiritual Journey to Finding Love. Her third book, Satan’s Sisters, a fictional account of the behind-the-scenes workings of a daytime talk show, was published in the spring of 2011, and is being developed into a network television movie and series by VH1, which Ms. Jones is co-executive producing. In the corporate world, Ms. Jones has been a featured personality for numerous consumer brands including Payless, Saks Fifth Avenue and Kohls, and has appeared on the cover of and/or been featured in a number of major newspapers and magazines in the country on topics ranging from news to lifestyle. Her newest venture, Status, by Star Jones, a collection of women’s apparel for the professional woman, was launched by QVC in the fall of 2013. Since 2011, she has actively participated in the American Heart Association’s National Go Red efforts, has lobbied Congress on behalf of that association and was asked by the Presidential Inaugural Committee to speak at the National Day of Service on heart health during President Obama’s 2013 Inauguration. As the National Volunteer for the American Heart Association, Ms. Jones led NAPW in its efforts to help raise awareness of heart disease during “Heart Month,” helping to raise millions of dollars for much needed research and community outreach.

Matthew Proman founded Old NAPW in October 2007 and served as its Chairman and Chief Executive Officer until Old NAPW’s merger with a subsidiary of the Company. Mr. Proman’s “hands-on,” entrepreneurial approach at the Company’s NAPW subsidiary includes his day-to-day operational leadership of NAPW’s sales, technology and marketing functions. Mr. Proman previously founded and led Cambridge Publishing Co., a publishing company specializing in business-to-business and business-to-consumer networking, from 2002 to 2007. Mr. Proman also devotes considerable time to a variety of charities such as Mount Sinai Hospital in New York City, the National Diabetes Foundation and the Jack Martin Foundation for Terminally Ill Children. Mr. Proman brings extensive direct mail marketing industry knowledge to the combined company and a deep background in business-to-business, membership services and career development networking.

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

Christopher Wesser joined Old NAPW in September 2009 and served as its General Counsel and Secretary, managing all legal, insurance, logistical and business risk matters for Old NAPW until its merger with the Company. Prior to joining Old NAPW, for over five years Mr. Wesser was with a private boutique litigation firm spun off from one of the largest law firms in the United States, where he ultimately became a partner before he left private practice. In private practice, he served as counsel to large corporations in numerous complex business litigations in state and federal courts and governmental agencies throughout the country. Mr. Wesser received a B.A. degree, summa cum laude, from LeMoyne College and J.D. degree from the College of William & Mary School of Law.

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

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

John Michael Hall serves as Executive Vice President and head of our Events Division. Mr. Hall has served in this capacity since the Company completed its September 30, 2013 purchase of the assets of Personnel Strategies, Inc. (“PSI”), a company that had been operating diversity focused Job Fairs throughout the country for over 20 years. The Company now operates this business as the Events Division of the Company. Prior to joining the Company, Mr. Hall served as President of PSI from 1993 until its sale to the Company in 2013. Mr. Hall graduated from Minnesota State University with a B.S. degree in Journalism.

Jorge Perez Izquierdo serves as Executive Vice President. From 2007 until 2015, Mr. Perez served as Senior Vice President for Manpower Group, where he led the expansion of strategic business worldwide. Prior to that, Mr. Perez was the Senior Vice President of Manpower North America. During his tenure at Manpower he led the North America and Central America strategic business. Mr. Perez holds a B.S. in Electrical and Mechanical Engineering from La Salle University in Mexico City, Mexico.

PART II

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

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

	High	Low
Year Ended December 31, 2014		
First Quarter	\$ 4.77	\$ 2.77
Second Quarter	\$ 4.46	\$ 3.09
Third Quarter	\$ 5.75	\$ 3.88
Fourth Quarter	\$ 5.08	\$ 3.96
Year Ended December 31, 2013		
First Quarter	\$ 8.20	\$ 4.51
Second Quarter	\$ 7.09	\$ 3.84
Third Quarter	\$ 5.50	\$ 3.99
Fourth Quarter	\$ 5.70	\$ 4.35

On March 30, 2015, the closing price of our common stock was \$5.00 per share.

Holder

As of March 30, 2015, we had 13 holders of record of our common stock. Since certain of our shares are held by brokers and other institutions on behalf of stockholders, the foregoing number is not representative of the number of beneficial owners of our common stock.

Dividends

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

Recent Sales of Unregistered Securities

On November 26, 2014, the closing date of the Company's acquisition of the assets of Global Outreach, the Company issued 300,000 shares of common stock to the stockholders of Global Outreach (the "Global Outreach Shares") pursuant to the Asset Purchase Agreement, dated as of November 26, 2014, among the Company, Global Outreach, Eric Bull, Terri Gladwell and Sergio Zlobin. The issuance of the Global Outreach Shares was exempt from the registration requirements of the Securities Act, pursuant to Section 4(a)(2) of the Securities Act. Prior to the issuance of the Global Voice Shares, each of the recipients of the Global Outreach Shares made certain representations to the Company as to the business and financial sophistication of such recipient. The Company did not engage in general solicitation or advertising with regard to the issuance of the Global Outreach Shares and did not and will not offer securities to the public in connection with the issuance of the Global Outreach Shares. The Global Outreach Shares will not be and have not been registered under the Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

Other than as discussed above, we did not sell any other equity securities during the fiscal year ended December 31, 2014 that were not registered under the Securities Act, other than as previously disclosed in our Current Report on Form 8-K filed with the SEC on September 26, 2014.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not purchase any of our equity securities during the fiscal year ended December 31, 2014, other than as previously disclosed in our Quarterly Report on Form 10-Q filed with the SEC on August 14, 2014.

ITEM 6- SELECTED FINANCIAL DATA

Not applicable.

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

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

Overview

The American economy is changing, and PDN is situated to profit from the opportunities associated with those changes.

According to the Pew Research Center, by the year 2050 the U.S. population is projected to grow by 142 million people, with 82% of that growth represented by immigrants and their descendants, and America will have no single racial group constituting a majority. This means that diverse groups should, both individually and collectively under the banner of diversity, assume a more predominant role in the economy thereby driving support for PDN's mission and demand for its products. Perhaps more to the point, the Rand Corporation has explained how corporate America has recognized that a diverse workforce strengthens the bottom line, and its research suggests that "diverse working

groups can be more innovative, flexible, and productive; can offer valuable perspectives on important issues; and can better appeal to a consumer base likely to include a growing number” of diverse groups.” Most recently, from Washington to Silicon Valley, and from Wall Street to Hollywood, the message has been made clear and we have adopted the following mandate:

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If the American economy is to remain globally competitive, we must remove roadblocks and build economic on-ramps for the diverse small business owners, investors and job seekers who represent the future of economic growth.

Because our management team believes in the long-run efficiency of markets, we believe that a business built to serve America's new population and meet corporate America's rising demand for diverse talent is a business built to prosper throughout this economic evolution. To that end, we have created a blueprint built for growth by focusing on accretive acquisitions that help drive internal growth and position us to supply corporate America's demand for diverse talent while providing education, access and opportunity for diverse job-seekers across all major affinities.

Our management team is focused on helping our shareholders profit from the evolving economy. By the close of 2014 we put our blueprint to work and successfully began to integrate our three divisions: Professional Diversity Network, with its seven distinct affinity groups; National Association of Professional Women, with its over 700,000 members and nearly 300 local chapters; and Noble Voice, with its offline career consultations, online sales and technology that have allowed us to significantly increase all properties' web traffic in a scalable manner and exceed our initial targets for matching qualified candidates to jobs available from our strategic partners. As we rolled out our HireAdvantEdge product, described below, we internally set a goal of 100 job matches per day by April 1. We exceeded that number in mid-March.

2014 Acquisitions and Integration

In 2014 we acquired NAPW and Noble Voice, based on our theory that if these specific companies were combined we could build platforms to capture synergies that would allow us to own the technology and methods to drive PDN to a leadership position in the field of diversity recruiting.

We believe that PDN and NAPW complemented one another because PDN's products and services would benefit and help grow the NAPW membership revenue stream and NAPW's membership database would be an accretive addition to PDN's affinities. We believe that Noble Voice complemented PDN and NAPW because its technology would allow outreach to members in new and efficient ways, thereby scaling previous methods and helping to efficiently grow revenue. We believe that PDN and NAPW complemented Noble Voice because the customers, members and affinities in both companies provided new, scalable sources of revenue for Noble Voice. We therefore believe that all three companies, combined, mutually benefit one another and provide a scalable growth environment for all.

As we close 2014 and move into 2015, we are already seeing the fruits of our investment theory in real time. We have already integrated significant portions of all three companies in terms of underlying support technology, human resources and payroll policy, and company mission and culture. We believe that we have successfully begun to build a unified operation on a timetable ahead of our initial, internal expectations, and our successes to-date include the following key highlights:

- Increased cost savings by eliminating redundancies in systems and personnel across all divisions
 - Increased efficiency of personnel management by harmonizing policies across all divisions
- Decreased risk and increased employee enrichment by creating our Employee Resource Program which brings tangible new benefits to our employees and provides enhanced communication channels so that we can capture ideas and synergies identified by our employees
- Employed combined resources to introduce a new NAPW website, bringing more value to members and more data to company
- Combined PDN and Noble Voice sales resources to successfully launch HireAdvantEdge product and begin matching job-seekers to available jobs in real-time
 - Combined all divisions' resources to reach NAPW members for participation in HireAdvantEdge product

- Combined PDN and Noble Voice resources to launch beta HireAdvantEdge product's e-commerce dashboard, allowing the Company to sell qualified candidates via low-cost e-commerce method

- Combined PDN and NAPW resources to upgrade benefits available to NAPW members across all NAPW membership tiers
- Combined all divisions' resources to create new Initial Member tier and deliver upgraded benefits to complimentary NAPW members
- Combined all divisions' resources to begin building new revenue pipeline to monetize complimentary NAPW members
 - Combined Noble Voice and NAPW resources to create a low-cost testing environment
 - Combined Noble Voice and NAPW resources to create an improved member support and engagement team
- Combined resources to greatly increase web traffic and time on site to all PDN, NAPW and Noble Voice online properties
 - Combined resources to greatly increase PDN rate of new member registrations
- Combined resources to create improved user experience for PDN corporate customers through upgraded recruiter dashboard
 - Combined PDN and Noble Voice resources to use efficient texting technology to support events sales
 - Combined PDN and NAPW resources to deliver an expanded field of career fairs and networking summits

Our past several quarters have been transformational in the sense that we have re-tooled the company to capture opportunities that were not readily available to it before our 2014 acquisitions. Though we believe we are still very early in the process of synergy capture through integration, we have already seen tangible success and begun to realize the theory that underlay each of our 2014 acquisitions.

PDN Operations

We generate revenue from our PDN Network through numerous sources, all of which involve recruitment services designed to meet growing demand for diverse talent. We offer job postings, recruitment advertising, semantic search technology, career and networking events. We also license our recruitment technology platform. We currently have over 900 companies utilizing our products and services. Less than 5% of our revenue is transacted online via ecommerce; the majority of our sales are consummated via direct interaction with our diversity recruitment sales professionals. We generate revenue by contracting with medium to large employers seeking to diversify their employment ranks by advertising and promoting their job opportunities to our networks of diverse professionals and by assisting employers post their job opportunities in a method and manner compliant with the requirements of the OFCCP.

PDN – Marketing Directly to Recruiters

One of PDN's core business strategies involves marketing our suite of products and services directly to recruiters. We market to both third-party and in-house corporate recruiters by assessing their diversity recruitment and talent acquisition needs and providing them real-time solutions that deliver diverse talent. We strongly believe that the industry has no single supplier that allows employers to access diverse candidates as efficiently as we are able to at our scale or quality, or with our unique understanding of the marketplace.

We believe that our approach is both unique and scalable. Our experience tells us that the diversity recruiting market is fragmented and difficult for diversity recruiting teams to penetrate because the market lacks a centralized point of approach. PDN solves that problem by developing strategic partnerships with leading organizations and providing a single point of access, which we deliver in an automated and culturally-relevant way that is meaningful to the job seeker.

While we are developing purely online marketing channels to bring recruiters to us, and courting strategic partners who can bring us new clients in bulk, we have found that the diversity recruiting market remains heavily dependent

upon personal interaction. To that end, we currently employ professionals in sales, sales support and marketing who are all trained in selling our products and services. We believe in a team approach to nurturing the relationships we build, and, therefore, have three distinct groups of sales staff and support. The first includes our table-setters, who are responsible for setting up first meetings with prospect companies. The second includes our career sales professionals, who conduct the first meeting and mature the conversation to what we hope is a successful conclusion. The third includes our nurturing sales professionals who provide ongoing account management and are responsible for successful client renewals.

We believe favorable market conditions will be necessary for us to succeed following the termination of our relationships with LinkedIn and Apollo Group and the initiation of our direct marketing initiative. We will need continued adoption of our services and favorable conditions for employment (a tight labor market) to successfully market and sell our recruiting services directly to employers and our ability to succeed is uncertain.

We have segregated the diversity recruitment market into three sectors:

- Federal, state and local governments and companies and contractors who serve these governmental entities;

- Small and medium sized businesses as defined by companies with less than 2,500 employees; and

- Large enterprises with greater than 2,500 employees.

Our sales team is approaching these markets using a combination of telephone and email marketing as well as, in some cases, personal visits to companies and or their recruitment agencies. We also plan to attend major recruitment conferences where diversity recruitment recruiters are in attendance. We have invested in our direct sales infrastructure and expect to continue to do so in the future. We plan to continue to invest in our sales and marketing team in 2015, as they mature to a self-supporting group of professionals. These costs are primarily for sales personnel and to support the sales team with tools such as client relationship management systems, personal computers and travel expenses. The sales expenses are variable and can be adjusted to meet market conditions.

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

PDN – HireAdvantEdge

Today, the recruitment market is highly data-driven. Employers who previously spent blindly in pursuit of qualified candidates now demand accountability and data about the process and how effectively they are spending. PDN is solving this with its HireAdvantEdge product, which allows us to deliver to recruiters qualified candidates in an efficient manner with very little lag in time to hire, which is one of the recruiting world's most important metrics.

Our newest recruitment product is made possible by the combination of Noble Voice's current interaction with job seekers, its technology and our relationship with employers who desire to recruit qualified diverse talent. We believe our scale, with 4.5 million opted-in job seekers (those who have agreed to allow us to present opportunities to them), our web to text to web communications path and our relationship with large employers presents a formidable opportunity for the growth of this product. Furthermore, the benefit of the HireAdvantEdge product to paid NAPW members has already demonstrated engagement and importance to further the membership value proposition. Helping members secure a new desired job is very important to over 1,000 members of NAPW who have already opted into the program.

We developed HireAdvantEdge through the 4th quarter of 2014 and implemented it in the 1st quarter of 2015. To-date, we have already exceeded internally-communicated goals for daily matches of job seekers to jobs. We believe that the success of HireAdvantEdge could be transformational for the industry and, therefore, highly beneficial to PDN and its shareholders.

PDN – Recruitment Advertising.

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

We believe that PDN stands apart from the industry in this arena because we are able to promote our clients' brands in a manner that reflects each client's commitment to diversity. In addition to delivering job seekers through our recruiter marketing, it is critical that we deliver to those job seekers jobs with employers they feel good about and who they feel understand them. Our recruitment advertising solutions provide job seekers with information that we believe allows them to look beyond a brand and deeper into an employer's core values. Both we and our clients believe that this is critical to hiring success, and our recruitment advertising is expected to be a growing part of our business.

In addition to selling advertising packages and assisting our clients with their branding in this regard, we sell advertising packages which include access to develop "talent communities" within our affinities' online properties, automated job feeds, access to our database for email marketing, banners within our network and affiliate networks (which reach 28 million job seekers), and re-targeting of directed advertisements.

PDN – Events

We generate revenue through our events division by selling employers access to and placement in or advertising around our diversity job fairs. In the 4th quarter of 2014 we were able to combine our PDN events division with resources from NAPW to deliver our first combined diversity job fair followed by a networking summit for professional women. In 2015 we plan to deliver 24 events nationwide, including 5 regional network summits and 1 national summit for NAPW. The value of these events is multi-fold. We derive revenue from employers to whom we sell the events; we derive new members to both our PDN affinities and NAPW membership roll from participation in the events; and we derive goodwill and positive publicity for our corporate brands as well as our overall message of diversity and inclusion, which further drives demand for our products and services.

NAPW – Membership Subscriptions

We believe that professionals attain success, in large part, based upon the value of their personal and professional networks. NAPW was built upon the premise that women have been historically disadvantaged in terms of building financially valuable networks, and that there exists a gap in the market for professional women to successfully network. Therefore, NAPW provides its members with online networking opportunities through its members-only site at www.napw.com, as well as through in-person networking at its nearly 300 Local Chapters nationwide, additional career and networking events at select locations (regional and national networking summits), and ancillary (non-networking) benefits such as educational discounts, and shopping, and other membership perks. The information on NAPW's website is not incorporated by reference in this Annual Report and you should not consider it as part of this Annual Report.

We currently employ 140 sales professionals, 120 of whom sell new membership subscriptions and 20 of whom sell upgraded membership packages and ancillary products (discussed below). The new membership subscriptions include access to network online through the members-only website, at the Local Chapter meetings, and discounted or free access to regional and national networking summits and continuing education products, depending on the paid membership tier. New membership subscriptions are provided in five different paid tiers.

We also employ support teams to provide compliance, testing and customer service/support. Our compliance team is specifically focused on ensuring the integrity of the NAPW sales process. The team works closely with customer service and sales management to ensure that sales are conducted in an ethical manner and to identify sales representatives who would benefit from enhanced training. Our testing team consists of representatives who work with our Development and Executive teams to identify new lead-generation, sales and membership product opportunities, and to test those as well as new approaches to our current sales. Our customer service team, located in our New York, Los Angeles, Darien and Detroit offices, work together to improve engagement with our members and to ensure a high degree of member satisfaction.

NAPW – Upgraded Memberships and Ancillary Products.

Upgraded packages include the VIP membership, which provides members with additional promotional and publicity tools as well as free access (including guest) to the regional and national networking summits and free continuing education programs; the press release package, which provides members with the opportunity to work with professional writers to publish personalized press releases and thereby secure valuable online presence; and the registry product, which allows members to create a durable, historical record chronicling their career achievements. We have 20 representatives in our New York and Los Angeles offices selling upgraded memberships and ancillary products. Our aforementioned compliance, testing and customer service teams also support our upgraded membership and ancillary product sales.

Noble Voice – Offline Career Consultations & Online Sales

Our Noble Voice division typically conducts over 20,000 career consultations per week. We monetize these consultations by using proprietary technology to drive inexpensive online traffic to our offline call center and generating value-added leads for our strategic partners who provide continuing education and career services. Noble Voice maintains a sophisticated CRM and marketing controls, and is able to efficiently manage the number of consultations to match demand. We believe that we have a scalable platform that can continue to meet demand as it rises. We also generate revenue through Noble Voice's online sales of recruiting advertising products.

Noble Voice – Technology Catalyst

We believe in the acquisition of Noble Voice not only for its valuable business model and revenue stream, but also for its potential as a technology catalyst. As described, we have leveraged Noble Voice's technology to-date to enable us to roll out our HireAdvantEdge product, which is already working to supply our clients' demand for job seekers in real time; to improve our methods of communication to prospects and leads for lead-generation; to deliver upgraded benefits not only to our NAPW members and members of the PDN affinities but to our clients through their client portal; to deliver the new NAPW website; to drive a significant increase in web traffic and time on site; and to greatly increase the rate of new user registrations on our online properties. We believe that we will continue to leverage Noble Voice resources going forward in a manner that continues to help us gain efficiencies.

Results of Operations

Comparison of the Year Ended December 31, 2014 with the Year Ended December 31, 2013

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

	Years Ended December		Change (Dollars)	Change (Percent)
	2014 (in thousands)	31, 2013		
Revenues				
Recruitment services	\$ 2,921	\$ 2,468	\$ 453	18.4%
Consumer advertising and consumer marketing solutions revenue	1,492	1,566	(74)	(4.7%)
Membership fees and related services	5,932	-	5,932	100.0%
Lead generation revenues	1,061	-	1,061	100.0%
Product sales and other revenue	238	-	238	100.0%
Total revenues	11,644	4,035	7,610	188.6%
Costs and expenses:				
Cost of services	2,154	1,153	1,001	86.8%
Sales and marketing	8,041	2,347	5,694	242.6%
General and administrative	6,392	2,268	4,124	181.8%
Depreciation and amortization	1,084	282	802	284.4%
Gain on bargain purchase of business	(430)	-	(430)	100.0%
Gain on sale of property and equipment	-	(4)	4	(100.0%)
Total costs and expenses	17,241	6,045	11,195	185.2%
Loss from operations	(5,598)	(2,010)	(3,585)	(178.5%)
Other expense, net	(1,114)	(137)	(977)	713.1%
Change in fair value of warrant liability	(9)	330	(339)	(102.7%)
Income tax benefit	(3,062)	(381)	(2,681)	703.7%
Net loss	\$ (3,658)	\$ (1,436)	\$ (2,220)	154.7%

	Years Ended December 31,	
	2014	2013
Percentage of revenue by product:		
Recruitment services	25%	61%
Consumer advertising and consumer marketing solutions revenue	13%	39%
Membership fees and related services	51%	0%
Lead generation revenues	9%	0%
Product sales and other revenue	2%	0%

During the fiscal years ended December 31, 2014 and 2013, we recognized \$2,921,000 and \$2,468,000, respectively, of revenues related to direct sales of our recruitment services. This 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 OFCPP compliance product services by a number of customers. Additionally, direct sales of our recruitment services were positively impacted as a result of the termination of our 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 direct recruitment relationships with those companies that are using our products and services via the LinkedIn reseller agreement.

Contributing to this increase was \$784,000 of revenues generated from our Events Division in 2014. At the end of the third quarter of 2013, we completed the purchase of specific assets from PSI and realized \$167,000 of revenue in that year. PSI had been operating diversity focused Job Fairs throughout the country for over 20 years.

Revenue from our consumer advertising and consumer marketing solutions was \$1,492,000 for the year ended December 31, 2014, compared to \$1,566,000 for the year ended December 31, 2013. The year over year decrease was primarily the result of the termination of our agreement with Apollo Group on October 9, 2014 which resulted in lost fixed monthly fees of \$116,667. The Apollo Agreement would have otherwise expired by its terms on February 28, 2015. The year over year decrease was partially offset by an increase in revenue generated from agreements with our partner organizations, which amounted to \$358,000 for the year ended December 31, 2014, compared to \$127,000 for the year ended December 31, 2013, resulting from the addition of new partners.

NAPW realized \$6,170,000 in total revenue from the date of acquisition on September 24, 2014 through December 31, 2014. 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 to significantly increase its energies and spending on 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 improvements 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.

Noble Voice, which was acquired on November 26, 2014, generated \$1,061,000 of revenue for the period of November 26, 2014 through December 31, 2014.

Operating Expenses

Cost of sales and services expense: Cost of sales and services during the year ended December 31, 2014 was \$2,154,000, an increase of \$1,001,000, or 86.9%, from \$1,153,000 for the year ended December 31, 2013. The increase was due to (i) \$179,000 of costs of products and membership services from NAPW and \$365,000 from Noble Voice services that were incurred after the acquisition of each, (ii) a \$ 180,000 increase in technology delivery services by PDN for the year ended December 31, 2014 resulting from the growth of our OFCCP compliance product, (iii) an increase of \$142,000 of direct costs incurred in connection with our Events Division for the year ended December 31, 2014, which had been acquired at the end of the third quarter of 2013 and (iv) an increase of \$135,000 of revenue sharing to our partner organizations due to the addition of new partners and the growth in partner revenue.

Sales and marketing expense: Sales and marketing expense for the year ended December 31, 2014 was \$8,041,000, an increase of \$5,694,000, or 242.6%, compared to \$2,347,000 for the year ended December 31, 2013. The increase primarily consisted of \$4,848,000 of sales and marketing expenses from NAPW since its acquisition date, which included \$1,848,000 of wages and benefits for the NAPW sales team and \$3,000,000 of digital advertising and direct mail costs to generate leads, and an increase of \$850,000 for the year ended December 31, 2014 in sales and marketing salaries, commissions and benefits for PDN which resulted from hiring additional staff to support our direct sales capabilities.

General and administrative expense: General and administrative expenses increased by \$4,124,000, or 181.8% to \$6,392,000 for the year ended December 31, 2014, compared to \$2,268,000 for the year ended December 31, 2013, primarily due to (1) \$2,835,000 of expenses from NAPW and \$681,000 from Noble Voice from each respective acquisition date to December 31, 2014 and (2) stock based compensation expense of \$565,000 incurred in connection with the granting of stock as a component of the employment contracts of the former owners of Noble Voice and options granted to certain members of management and employees. Additionally, in connection with the acquisition of PSI in June 2013, 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 \$100,000 related to these contingent liabilities during the year

ended December 31, 2014.

Depreciation and amortization expense: Depreciation and amortization expense for the year ended December 31, 2014 was \$1,084,000, compared to \$282,000 for the year ended December 31, 2013, an increase of \$802,000 or 284.4% which was primarily due to a \$711,000 increase in amortization expense, resulting from the amortization of the intangible assets of \$14,905,000 acquired from Old NAPW and \$650,000 from Noble Voice and an \$87,000 increase in depreciation and amortization related to the additions to capitalized software relating to web product platform development to support emerging technologies and to the acquired software technology from CareerImp Inc. in June 2013.

Gain on bargain purchase of business: In connection with our acquisition of Noble Voice on November 26, 2014, we recognized a \$430,000 gain on the bargain purchase of Noble Voice, which represents the excess of the fair value of the net assets acquired over the purchase price.

Other Expenses

Included in other expenses, net, for the years ended December 31, 2014 and 2013 is interest expense in the amount of \$3,000 and \$155,000, respectively. Interest expense in 2014 is the result of the note payable to Proman which had been issued in conjunction with the acquisition of Old NAPW. Interest expense for 2013 is primarily attributable to the amortization of the discount on the note payable to one of the note holders as the note was exchanged to equity upon our reorganization on March 4, 2013. Amortization of the discount amounted to \$0 and \$155,000 for the year ended December 31, 2014 and 2013, respectively, for the note. Acquisition related costs of \$1,195,000 for the year ended December 31, 2014 were for professional services and fees directly related to our merger with Old NAPW and our purchase of the assets of Global Outreach Ventures.

Change in Fair Value of Warrant Liability

The change in the fair value of the warrant liability is related to the common stock purchase warrants issued to underwriters in the Company's IPO on March 4, 2013. During the year ended December 31, 2014, we recorded a non-cash loss of \$9,000 related to changes in the fair value of our warrant liability liabilities. The change in the fair value of our warrant liability for the year ended December 31, 2014 was primarily the result of changes in our stock price.

Income Tax Benefit

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 (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 at the date of the IPO. This resulted in a net deferred tax benefit of \$3,062,000 and \$381,000 being recognized and included in the tax provisions for the years ended December 31, 2014 and 2013, respectively. The tax benefit was determined using an effective tax rate of 38.8% and 40.6% for the year ended December 31, 2014 and for the period from March 4, 2013 to December 31, 2013, respectively.

The unaudited pro forma computation of income tax benefit included in the 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.

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 consolidated 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 consolidated 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 consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these consolidated financial statements requires us to exercise considerable judgment with respect to establishing sound accounting policies and in making estimates and assumptions that affect the reported amounts of our assets and liabilities, our recognition of revenues and expenses, and disclosure of commitments and contingencies at the date of the consolidated financial statements.

We base our estimates on our historical experience knowledge of our business and industry, current and expected economic conditions, the attributes of our products, the regulatory environment, and in certain cases, the results of outside appraisals. We periodically re-evaluate our estimates and assumptions with respect to these judgments and modify our approach when circumstances indicate that modifications are necessary. 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.

While we believe that the factors we evaluate provide us with a meaningful basis for establishing and applying sound accounting policies, we cannot guarantee that the results will always be accurate. Since the determination of these estimates requires the exercise of judgment, actual results could differ from such estimates.

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

Accounts Receivable

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

Goodwill and Intangible Assets

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

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

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

Capitalized Technology Costs

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

Business Combinations

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.

Revenue Recognition

Our principal sources of revenue are recruitment revenue, consumer marketing and consumer advertising revenue, membership subscription fees, lead generation revenues and product sales. Recruitment revenue includes revenue recognized from direct sales to customers for recruitment services and events, as well as revenue from LinkedIn and our direct ecommerce sales. Revenues from recruitment services are recognized when the services are performed, evidence of an arrangement exists, the fee is fixed or determinable and collectability is probable. Our recruitment revenue is derived from agreements through single and multiple job postings, recruitment media, talent recruitment communities, basic and premier corporate memberships, hiring campaign marketing and advertising, e-newsletter marketing and research and outreach services.

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

Revenue generated from NAPW Network membership subscriptions is recognized ratably over the 12 month membership period, although members pay their annual fees at the commencement of the membership period. 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.

We derive lead generation revenues pursuant to arrangements with for-profit educational centers. Under these arrangements, we match educational centers with potential candidates, pursuant to specific parameters defined in each arrangement. We invoice the educational centers on a monthly basis based upon the number of leads provided. Revenues related to lead generation are recognized at the time the educational centers are invoiced.\

Income Taxes

Upon the consummation of our reorganization (from an Illinois limited liability company into a Delaware corporation) on March 5, 2013, the Company is now taxed as a “C” Corporation from the time of reorganization. We are required to determine the aggregate amount of income tax expense or loss based upon tax statutes in jurisdictions in which we conduct business. In making these estimates, we adjust our results determined in accordance with generally accepted accounting principles for items that are treated differently by the applicable taxing authorities. Deferred tax assets and liabilities resulting from these differences are reflected on our balance sheet for temporary differences in loss and credit carryforwards that will reverse in subsequent years. We also establish a valuation allowance against deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized. Valuation allowances are based, in part, on predictions that management must make as to our results in future periods. The outcome of events could differ over time which would require that we make changes in our valuation allowance.

Liquidity and Capital Resources

The following table summarizes our liquidity and capital resources as of and for the years ended December 31, 2014 and 2013, respectively, and is intended to supplement the more detailed discussion that follows:

	December 31,	
	2014	2013
	(in thousands)	
Cash and cash equivalents	\$ 1,519	\$ 18,736
Short-term investments	\$ 5,199	\$ 0
Working capital (deficit)	\$ (5,998)	\$ 18,533

Our principal sources of liquidity are our cash and cash equivalents, short-term investments 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 dates 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 no longer applies. 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 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 from the reduction of operating costs resulting from efficiencies gained by combining our organizations, elimination of non-recurring expenses related to the acquisitions in 2014 and the addition of a full year of revenues of NAPW and Noble Voice.

We intend to continue to make investments to support our business growth and may require additional funds to increase our sales and marketing efforts and product development and acquire complementary businesses and technologies. We may need to engage in equity or debt financings to secure additional funds. Future efforts to raise additional funds may not be successful or they may not be available on acceptable terms, if at all.

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, however, the Company may choose to raise additional cash by undertaking a public or private offering of its securities.

	Years Ended December 31,	
	2014	2013
	(in thousands)	
Cash provided by (used in):		
Operating activities	\$ (8,790)	\$ (415)
Investing activities	(8,614)	(470)
Financing activities	187	18,753
Net (decrease) increase in cash and cash equivalents	\$ (17,217)	\$ 17,868

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 Operating Activities

Net cash used in operating activities for the year ended December 31, 2014 was \$8,790,000. The cash flow used in operations during 2014 was primarily attributable to changes in our assets and liabilities, mainly consisting of a decrease in accounts receivable of \$371,000 and an increase in deferred revenue of \$175,000. Accounts receivable decreased approximately 15.8% in 2014 while our revenue increased 9.4%. The decrease in accounts receivable was due to the collection of outstanding receivables. We had a net loss of \$3,658,000 which was partially offset by non-cash depreciation and amortization of \$1,084,000, a non-cash deferred tax benefit of \$3,062,000, a non-cash net gain on the bargain purchase of Noble Voice of \$430,000, the fair value of warrants issued to an advisor in connection with our acquisition of Old NAPW of \$139,000, stock-based compensation expense of \$565,000 and the amortization

of premiums paid on short-term investments of \$87,000. Cash was also used to prepay a license fee of \$450,000 for rights to market a patented technology product, and decrease accounts payable and accrued expenses of \$4,177,000. Operating cash was also provided by customer deposits of \$450,000. NAPW revenues are primarily generated through the sales of 12 month memberships and renewals. Memberships are paid when acquired or renewed and entitle the member to benefits for the following 12 months. Commissions for sales of new memberships are accrued in the month sold. As a result, although cash is received in the month of sale, revenue is deferred and commission expense is recognized ratably over the year of membership.

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

Net Cash Used in Investment Activities

Net cash used in investing activities for the year ended December 31, 2014 was \$8,614,000 consisting of \$15,526,000 from the purchase of short-term investments, \$3,111,000 paid as partial consideration for the acquisition of Old NAPW, \$180,000 invested in developed technology and \$38,000 in purchases of property and equipment, offset by \$10,240,000 of proceeds from the sale and maturities of short-term investments.

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

Net Cash Provided by Financing Activities

Net cash used in financing activities during the year ended December 31, 2014 was \$187,000 which includes \$26,000 for the repurchase of Company stock and \$7,000 for the payment of capital leases. Additionally, financing activities were impacted by a change in merchant reserve deposits of \$831,000 and a change in a merchant reserve loan advance by \$447,000.

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

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 May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09). ASU 2014-09 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 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 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 consolidated financial position or results of operations.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company’s financial statements required by this item are included on pages F-1 through F-31 of this Annual Report. See Item 15(a)(1) for a listing of financial statements provided.

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

None.

ITEM 9A - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Report on Form 10-K.

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Management's Report on Internal Control over Financial Reporting

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

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

Our management conducted an evaluation of the effectiveness of our internal controls based on the criteria set forth by the Committee of Sponsor Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework) as of December 31, 2014, the end of the period covered in this Annual Report on Form 10-K.

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

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

Material Weakness in Internal Control Over Financial Reporting

A material weakness is a control deficiency or a combination of control deficiencies that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Our management has concluded that, as of December 31, 2014, we did not maintain effective controls over the preparation, review, presentation and disclosure of our financial statements. Specifically, we identified deficiencies in controls related to the segregation of incompatible duties and the application of complex accounting principles. While we believe we have other controls in place that are operating effectively and mitigate the risk of material misstatement, these control deficiencies could result in a misstatement of the presentation and disclosure of our financial statements that would result in a material misstatement in our annual or interim financial statements that would not be prevented or detected. Accordingly, management determined that these control deficiencies constitute a material weakness in our internal control over financial reporting as of December 31, 2014.

Plan for Remediation of Material Weakness

During 2014 and into the first quarter of 2015, we undertook certain initiatives to improve and remediate material weaknesses related to our internal control over financial reporting for the period ended December 31, 2014.

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

With the acquisition of NAPW and Noble Voice, we have been able to expand our Accounting and Finance department and plan to reallocate roles and responsibilities in order to improve our segregation of duties.

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

Limitations on the Effectiveness of Controls

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

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our fiscal period ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers of the Registrant

For information required by this item regarding executive officers, refer to “Executive Officers of the Registrant” in Item 4A of this Annual Report. Other information required by this item including regarding directors will be filed with the SEC within 120 days of the end of the fiscal year covered by this report in an amendment to this Annual Report on Form 10-K or will be incorporated herein by reference to the sections entitled “Proposal 1: Nomination and Election of Directors – Nominees for Director,” “Corporate Governance – Meetings and Committees of the Board of Directors,” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s Proxy Statement to be filed with the SEC with respect to the Company’s 2015 Annual Meeting of Shareholders (the “2015 Proxy Statement”).

Code of Business Conduct and Ethics

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

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this item will be filed with the SEC within 120 days of the end of the fiscal year covered by this report in an amendment to this Annual Report on Form 10-K or will be incorporated herein by reference to the sections entitled “Executive Compensation,” “Corporate Governance – Compensation Committee Interlocks and Insider Participation” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2015 Proxy Statement.

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

The information required by this item will be filed with the SEC within 120 days of the end of the fiscal year covered by this report in an amendment to this Annual Report on Form 10-K or will be incorporated herein by reference to the sections entitled “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in the 2015 Proxy Statement.

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

Certain Relationships and Related Party Transactions

The information required by this item will be filed with the SEC within 120 days of the end of the fiscal year covered by this report in an amendment to this Annual Report on Form 10-K or will be incorporated herein by reference to the sections entitled “Corporate Governance – Certain Relationships and Related Party Transactions” and “Corporate Governance – Director Independence” in the 2015 Proxy Statement.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be filed with the SEC within 120 days of the end of the fiscal year covered by this report in an amendment to this Annual Report on Form 10-K or will be incorporated herein by reference to the section entitled "Independent Registered Public Accounting Firm" in the 2015 Proxy Statement.

PART IV

ITEM 15- EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The financial statements and schedules listed in the accompanying Index to Consolidated Financial on page F-1 are filed as part of this report.

2. Financial Statement Schedules

The financial statement schedules have been omitted because they are not applicable or because the required information is given in the consolidated financial statements and notes thereto.

3. Exhibits

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

INDEX TO FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Professional Diversity Network, Inc. and Subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive loss, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Professional Diversity Network, Inc. and Subsidiaries, as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP

Marcum llp
New York, NY
March 31, 2015

Professional Diversity Network, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2014	2013
Current Assets:		
Cash and cash equivalents	\$1,519,467	\$18,736,495
Accounts receivable	3,448,748	1,218,112
Short-term investments	5,198,878	-
Incremental direct costs	900,868	-
Prepaid license fee	337,500	-
Prepaid expenses and other current assets	381,057	99,094
Deferred tax asset	58,200	-
Total current assets	11,844,718	20,053,701
Property and equipment, net	874,769	54,781
Capitalized technology, net	526,070	692,511
Goodwill	45,180,531	735,328
Intangible assets, net	14,934,225	90,400
Merchant reserve	860,849	-
Deferred tax asset	-	380,832
Security deposits	371,310	12,644
Total assets	\$74,592,472	\$22,020,197
Current Liabilities:		
Accounts payable	\$4,941,135	\$222,961
Accrued expenses	549,727	188,462
Deferred revenue	10,078,938	1,024,420
Customer deposits	337,500	-
Notes payable	1,389,386	-
Note payable - related party	437,186	-
Warrant liability	93,789	85,221
Capital lease obligations	15,232	-
Total current liabilities	17,842,893	1,521,064
Deferred rent	25,946	-
Deferred tax liability	3,081,611	-
Total liabilities	20,950,450	1,521,064
Commitments and contingencies		
Stockholders' Equity		
Common stock, \$0.01 par value, 25,000,000 shares authorized, 12,928,072 shares and 6,318,227 shares issued as of December 31, 2014 and 2013, respectively, and 12,719,689 and 6,316,027 shares outstanding as of December 31, 2014 and 2013, respectively	127,280	63,182
Additional paid in capital	58,646,322	21,883,593

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Accumulated deficit	(5,094,463)	(1,436,387)
Treasury stock, at cost; 8,382 shares at December 31, 2014 and 2,200 shares at December 31, 2013	(37,117)	(11,255)
Total stockholders' equity	53,642,022	20,499,133
Total liabilities and stockholders' equity	\$74,592,472	\$22,020,197

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

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Professional Diversity Network, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year Ended December 31,	
	2014	2013
Revenues		
Recruitment services	\$2,920,791	\$2,468,382
Consumer advertising and consumer marketing solutions revenue	1,491,943	1,566,262
Membership fees and related services	5,932,138	-
Lead generation revenue	1,061,041	-
Product sales and other revenue	237,818	-
Total revenues	11,643,731	4,034,644
Costs and expenses:		
Cost of sales and services	2,153,900	1,152,544
Sales and marketing	8,040,797	2,346,847
General and administrative	6,392,109	2,268,118
Depreciation and amortization	1,084,451	281,648
Gain on bargain purchase of business	(429,956)	-
Gain on sale of property and equipment	-	(4,158)
Total costs and expenses	17,241,301	6,044,999
Loss from operations	(5,597,570)	(2,010,355)
Other income (expense)		
Interest expense	(3,370)	(155,136)
Interest and other income	84,519	25,765
Acquisition related costs	(1,195,195)	-
Loss on sale of marketable securities	-	(7,640)
Other income (expense), net	(1,114,046)	(137,011)
Change in fair value of warrant liability	(8,568)	330,147
Loss before income tax benefit	(6,720,184)	(1,817,219)
Income tax benefit	(3,062,108)	(380,832)
Net loss	\$(3,658,076)	\$(1,436,387)
Other comprehensive (loss) income:		
Net loss	\$(3,658,076)	\$(1,436,387)
Reclassification adjustments for losses on marketable securities included in net income	-	7,640
Comprehensive loss	\$(3,658,076)	\$(1,428,747)
Net loss per common share, basic and diluted	\$(0.46)	\$(0.23)
Weighted average shares used in computing net loss per common share:		
Basic and diluted	8,016,074	6,318,085

Pro forma computation related to conversion to a C corporation upon completion of initial public offering in 2013:

Historical pre-tax net loss before taxes	\$(1,817,219)
Pro-forma tax benefit	(740,939)
Pro-forma net loss	\$(1,076,280)
Pro-forma loss per share - basic and diluted	
Unaudited pro-forma loss per share	\$(0.17)
Weighted average number of shares outstanding	6,318,085

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

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Professional Diversity Network, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Additional	Accumulated	Treasury Stock		Com
	Shares	Amount	Paid In Capital	Deficit	Shares	Amount	In (
Balance at January 1, 2013	3,487,847	34,878	2,751,827	-	-	-	
Conversion of debt to equity	205,380	2,054	1,640,982	-	-	-	
Net proceeds from initial public offering	2,625,000	26,250	17,690,784	-	-	-	
Reclassification adjustments for losses on marketable securities included in net loss	-	-	-	-	-	-	
Unrealized holding loss on marketable securities	-	-	-	-	-	-	
Repurchase of common stock	-	-	-	-	2,200	(11,255)	
Distribution to members	-	-	(200,000)	-	-	-	
Net loss	-	-	-	(1,436,387)	-	-	
Balance at December 31, 2013	6,318,227	\$63,182	\$21,883,593	\$(1,436,387)	2,200	\$(11,255)	\$
Issuance of common stock in connection with acquisition of NAPW, Inc.	6,309,845	63,098	35,208,935	-	-	-	
Fair value of options issued in connection with acquisition of NAPW	-	-	556,496	-	-	-	
Fair of warrants issued in connection with acquisition of NAPW	-	-	294,342	-	-	-	
Fair value of warrants issued to financial advisor in connection with acquisition of NAPW	-	-	138,768	-	-	-	
Repurchase of common stock	-	-	-	-	6,182	(25,862)	
Stock-based compensation	99,999	1,000	564,188	-	-	-	
Net loss	-	-	-	(3,658,076)	-	-	
Balance at December 31, 2014	12,728,071	\$127,280	\$58,646,322	\$(5,094,463)	8,382	\$(37,117)	\$

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

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Professional Diversity Network, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2014	2013
Cash flows from operating activities:		
Net loss	\$(3,658,076)	\$(1,436,387)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,084,450	281,648
Deferred tax benefit	(3,062,108)	(380,832)
Gain on bargain purchase of business	(429,956)	-
Stock-based compensation expense	565,188	-
Fair value of warrants issued to advisor in connection with acquisition	138,768	-
Amortization of prepaid license fees	112,500	-
Amortization of premium on short-term investments, net	86,655	-
Amortization of customer deposits	(112,500)	-
Change in fair value of warrant liability	8,568	(330,147)
Loss on sale of marketable securities, net	-	7,640
Gain on sale of property and equipment	-	(4,158)
Interest added to notes payable	-	16,881
Accretion of interest on notes payable	2,604	138,255
Changes in operating assets and liabilities:		
Accounts receivable	371,277	756,122
Prepaid expenses and other current assets	38,969	(28,445)
Incremental direct costs	30,258	-
Prepaid license fee	(450,000)	-
Accounts payable	(2,547,059)	(46,294)
Accrued expenses	(1,629,998)	85,812
Deferred income	174,518	524,420
Deferred rent	25,946	-
Customer deposits	450,000	-
Other assets	10,000	-
Net cash used in operating activities	(8,789,996)	(415,485)
Cash flows from investing activities:		
Proceeds from maturities of short-term investments	10,240,000	242,206
Purchases of short-term investments	(15,525,533)	-
Cash paid for acquisition, net of cash acquired	(3,110,646)	(135,945)
Costs incurred to develop technology	(180,314)	(354,808)
Purchases of property and equipment	(37,850)	(38,424)
Cash paid to purchase technology	-	(200,000)
Proceeds from sale of property and equipment	-	6,203
Security deposits	-	11,067
Net cash used in investing activities	(8,614,343)	(469,701)
Cash flows from financing activities:		
Repurchase of common stock	(25,862)	(11,255)
Payments of capital leases	(7,165)	-
Merchant reserve	667,709	-
Merchant cash advances	(447,371)	-

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Distributions to members	-	(200,000)
Proceeds from IPO, net of offering costs	-	19,474,565
Deferred IPO costs	-	(509,923)
Net cash provided by financing activities	187,311	18,753,387
Net (decrease) increase in cash and cash equivalents	(17,217,028)	17,868,201
Cash and cash equivalents, beginning of year	18,736,495	868,294
Cash and cash equivalents, end of year	\$ 1,519,467	\$ 18,736,495
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	\$-
Promissory note issued in connection with acquisition of Global Outreach	\$1,389,386	\$-
Conversion of notes payable to equity	\$-	\$1,643,036
Reduction of additional paid-in capital for deferred IPO costs	\$-	\$1,342,163
Fair value of warrant liabilities	\$-	\$415,368

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

Professional Diversity Network, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Description of Business

Professional Diversity Network, Inc. is both the operator of the Professional Diversity Network (the “Company,” “we,” “our,” “us,” “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”), as well as Noble Voice LLC and Compliant Lead LLC (collectively, “Noble Voice”), each of which is a wholly-owned subsidiary of the Company and together provide career consultation services. 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 through its website, as well as at events hosted at its local chapters across the country. Our Noble Voice division typically conducts over 20,000 career consultations per week. We monetize these consultations by using proprietary technology to drive inexpensive online traffic to our offline call center and generating value-added leads for our strategic partners who provide continuing education and career services.

2. Liquidity, Financial Condition and Management’s Plans

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

The Company completed an initial public offering (“IPO”) of its equity securities (Note 12) on March 8, 2013 and received \$19.5 million in proceeds, net of offering costs. The Company incurred approximately \$1.3 million of IPO expenses through December 31, 2013 in its efforts to complete the IPO. Expenses incurred in connection with the IPO were accounted for as a reduction of the offering proceeds.

We had been dependent on Monster Worldwide, Inc. (“Monster Worldwide” or “Monster”) for all of our recruitment revenue pursuant to an alliance agreement that expired on December 31, 2012. The non-renewal of our agreement with Monster Worldwide had a material impact on revenue and operating cash flow during the year ended December 31, 2013. With respect to job postings that Monster sold prior to the expiration of our agreement on December 31, 2012, we mutually agreed with Monster to maintain such postings on our websites until June 30, 2013. In addition, we agreed to continue to provide Monster with access to certain data until December 31, 2013.

As more fully described in Note 14, 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.

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Professional Diversity Network, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

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 our agreements with LinkedIn on March 29, 2014 and Apollo in September 2014 had a material impact on revenue and operating cash flow during the year ended December 31, 2014. In response to this and to help mitigate the impact of the loss of revenue, the Company adjusted its business plan and focused on its key areas of strength, including, but not limited to:

- It’s ability to sell directly, instead of as a reseller, and earn 100% of each sale;
- Benefit from new enhanced OFCCP regulations enhancing demand for the Company’s products and services;
 - Benefit from the strength of the Company’s business foundation and management team; and
 - Pursue potential acquisition opportunities in the recruitment industry.

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.

The Company is closely monitoring and controlling operating costs and capital requirements and has developed an operating plan for 2015 which is projected to result in positive cash flow for the year ended December 31, 2015. The Company is also leveraging the benefits of the combined operations and has actively begun eliminating duplicative costs across the organization. Operating results for the year ended December 31, 2014 include a significant amount of one-time costs related to the Company’s acquisitions that will not recur going forward. The Company has also developed new products that leverage the operating strengths of the three distinct business units and anticipate positive market acceptance. Management believes that the Company’s cash, investments on hand and anticipated cash to be received from expected future sales will be sufficient to sustain operations for the next twelve months. However, there can be no assurances that the plans and actions proposed by management will be successful, that the Company will generate anticipated revenues, or that unforeseen circumstances will not require additional funding sources in the future or effectuate plans to conserve liquidity.

3. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount 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 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.

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Professional Diversity Network, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Principles of Consolidation - The accompanying 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.

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.

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 year ended December 31, 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 December 31, 2014, the short-term investments of municipal bonds and corporate fixed income bonds are classified as "Level 2."

		December 31, 2014		
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Certificates of deposit	\$ 1,099,775	\$ 1,168	\$ -	\$ 1,100,943
Municipal bonds	536,046	-	(6,572)	529,474
Corporate fixed income bonds	3,563,057	808,948	-	4,372,005
	\$ 5,198,878	\$ 810,116	\$ (6,572)	\$ 6,002,422

Accounts Receivable - Accounts receivable represent receivables generated from fees earned from customers and advertising revenue. The Company's policy is to reserve for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company has deemed it unnecessary to establish an allowance for doubtful accounts as of December 31, 2014 and 2013.

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 consolidated statements of comprehensive loss. Amortization expense amounted to \$540,130 and \$0 for the years ended December 31, 2014 and 2013, respectively.

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

accumulated depreciation are removed from the accounts at the time of disposition, and any resulting profit or loss is reflected in income or expense for the period.

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Professional Diversity Network, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

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

Business Combinations - 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 December 31, 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 December 31, 2014.

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

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

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Professional Diversity Network, Inc. and Subsidiaries
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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.

Lead Generation Revenue

The Company derives lead generation revenues pursuant to arrangements with for-profit educational centers. Under these arrangements, the Company matches educational centers with potential candidates, pursuant to specific parameters defined in each arrangement. The Company invoices the educational centers on a monthly basis based upon the number of leads provided. Revenues related to lead generation are recognized at the time the educational centers are invoiced.

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 December 31, 2014 consisted of one 18 month contract. For the years ended December 31, 2014 and 2013, the Company incurred advertising and marketing expenses of approximately \$2,215,000 and \$813,000, respectively. These amounts are included in sales and marketing expenses in the accompanying consolidated statements of comprehensive loss. At December 31, 2014 and 2013, advertising costs of \$52,920 and \$0, respectively, are recorded in prepaid expenses and other assets in the accompanying consolidated balance sheets.

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

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 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 \$3,062,108 and \$380,832 being recognized and included in the tax provision for the years ended December 31, 2014 and 2013, respectively. The tax benefit was determined using an effective tax rate of 38.8% and 40.6% for the year ended December 31, 2014 and for the period from March 4, 2013 to December 31, 2013, respectively.

The unaudited pro forma computation of income tax benefit included in the 2013 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.

The Company accounts for income taxes in accordance with ASC 740, Income Taxes, which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement basis and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company estimates the degree to which tax assets and credit carryforwards will result in a benefit based on expected profitability by tax jurisdiction. A valuation allowance for such tax assets and loss carryforwards is provided when it is determined to be more likely than not that the benefit of such deferred tax asset will not be realized in future periods. If it becomes more likely than not that a tax asset will be used, the related valuation allowance on such assets would be reduced.

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with ASC 740-20 and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance also addresses derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of the guidance did not have a significant effect on the Company's accounting and disclosures for income taxes. Interest and penalties related to uncertain tax positions, if any, are recorded in income tax expense. There were no unrecognized tax benefits as of December 31, 2014. The Company is currently not aware of any issues under

review that could result in significant payments, accruals or material deviation from its position. The Company is subject to examination by federal and state taxing authorities for the 2013 and subsequent tax years.

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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	December 31,	
		2014	2013
Warrant liability	3	\$ 93,789	\$ 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 valuation model to value Level 3 financial liabilities at inception and on subsequent valuation dates. This model incorporates transaction details such as the Company's stock price, contractual terms, maturity, and risk free rates, as well as volatility.

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

As of December 31, 2014 and 2013, 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 years ended December 31, 2014 and 2013 excludes the potentially dilutive securities summarized in the table below because their inclusion would be anti-dilutive.

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