Professional Diversity Network, Inc.
Form 424B4
March 06, 2013
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Filed Pursuant to Rule 424(b)(4)
Registration Number 333-181594

PROSPECTUS

2,625,000 Shares of

Common Stock

This is the initial public offering of our common stock. Prior to this offering, there has been no public market for our common stock. The initial public offering price is $8.00 per share. Our common stock has been approved for listing on the NASDAQ Capital Market under the symbol IPDN.

Investing in our common stock involves a high degree of risk and our directors, executive officers and significant stockholders will continue to hold a significant amount of shares and will continue to have substantial control over corporate matters. Please read Risk Factors beginning on page 17.

We qualify as an emerging growth company as defined in the Jumpstart our Business Startups Act, or JOBS Act. Please read the related disclosure contained on pages 30, 31 and 45 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 8.00	$ 21,000,000
Underwriting discounts and commissions(1)	$ 0.68	$ 1,785,000
Proceeds to Professional Diversity Network (before expenses)	$ 7.32	$ 19,215,000

In connection with this offering, we have also agreed to issue to the underwriters, for $100, a warrant to purchase up to 131,250 shares of our common stock, or 5% of the shares offered by this prospectus (not including any shares sold pursuant to the underwriters over-allotment option). If the underwriters exercise the warrant, each share of our common stock may be purchased for $10.00 per share (which is 125% of the price per share of our common stock offered by this prospectus).

(1) See Underwriting for a detailed description of compensation payable to the underwriters.
We have granted the underwriters an option for a period of 45 days to purchase, on the same terms and conditions set forth above, up to an additional 393,750 shares of our common stock to cover over-allotments of the shares, if any.

The underwriters expect to deliver our shares to purchasers in the offering on or about March 8, 2013.

Sole Book-Running Manager

Aegis Capital Corp

Co-Manager

Merriman Capital, Inc.

March 5, 2013

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Until March 30, 2013 (25 days after the date of this prospectus), all dealers that buy, sell or trade the common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

We have not authorized anyone to give any information or to make any representations other than those contained in this prospectus. Do not rely upon any information or representations made outside of this prospectus. This prospectus is not an offer to sell, and it is not soliciting an offer to buy, (1) any securities other than our common stock or (2) our common stock in any circumstances in which our offer or solicitation is unlawful. The information contained in this prospectus may change after the date of this prospectus. Do not assume after the date of this prospectus that the information contained in this prospectus is still correct.

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Prospectus Summary

This summary highlights certain information about us, this offering and selected information contained in the prospectus. This summary is not complete and does not contain all of the information that you should consider before deciding whether to invest in our common stock. For a more complete understanding of our company and this offering, we encourage you to read and consider the more detailed information in the prospectus, including Risk Factors and the financial statements and related notes. Unless we specify otherwise, all references in this prospectus to Professional Diversity Network, PDN, we, our, us and company refer to Professional Diversity Network, LLC prior to the date Professional Diversity Network, LLC reorganizes into a Delaware corporation, and Professional Diversity Network, Inc. after the date Professional Diversity Network, LLC reorganizes into a Delaware corporation.

Overview

Professional Diversity Network develops and operates online networks dedicated to serving diverse professionals in the United States. To date, we have been particularly focused on Hispanic-American and African-American professionals and recently launched additional websites dedicated to other diverse segments, including women, Asian-American, LGBT (lesbian, gay, bisexual and transgender), differently-abled and military professionals. We currently have over two million members and, as of the date of this prospectus, more than 3,000 companies and organizations, including 60% of the Fortune 500 companies, have listed job postings on our websites. Most of these listings have come to us through our exclusive agreement with Monster Worldwide for our recruitment services. Our agreement with Monster Worldwide began in December 2007, expired on December 31, 2012 and was not renewed. On November 12, 2012, we entered into a diversity recruitment partnership agreement with LinkedIn, which became effective on January 1, 2013. Pursuant to the LinkedIn arrangement, LinkedIn may resell to its customers diversity-based job postings and recruitment advertising appearing on our websites. Since January 1, 2011, we have had a strategic partnership with the University of Phoenix (through its parent company, the Apollo Group, Inc.), which advertises on our websites. Regardless of the strategic partner we are working with, we believe that our networking platforms provide an effective means to meet the career advancement needs of diverse professionals, the employers that seek to hire them and the advertisers that seek to reach them.

Our major assets are two of our websites iHispano.com, which has over 1.2 million members in its network and AMightyRiver.com, which has over 600,000 members in its network. In the nine months ended September 30, 2012, iHispano.com had over 3.7 million unique visitors and over 4.3 million visits, while AMightyRiver.com had over 1.0 million unique visitors and over 1.2 million visits.

We define a member of one of our websites as 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, such member will automatically be de-registered from our database.

We calculate unique visitors for each of our websites as users who have visited that particular website at least once regardless of whether they are members. A user who visits one of our websites, regardless of frequency, is only counted as one unique visitor, based on data provided by Google Analytics, a leading provider of digital marketing intelligence.

We define the number of visits for each of our websites as the number of times a user has been to that particular website. If a user is inactive on the website site for 30 minutes or more, any future activity will be counted as a new visit. Users that leave one of our websites and return to the same website within 30 minutes will be counted as part of the original visit.

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We recently launched additional online professional networking websites that serve other diverse communities including women (WomensCareerChannel.com), Asian Americans (ACareers.net), LGBT (OutProNet.com), enlisted and veteran military personnel (Military2Career.com) and differently-abled (ProAble.net) professionals. Although each of these new professional networking websites is fully operational, these websites are, and continue to be, in the early stages of development. Since its inception in September 2011, WomensCareerChannel.com has experienced significant growth in unique visitors, visits and membership. In the nine months ended September 30, 2012, this website had over 700,000 visits and over 600,000 unique visitors. By September 30, 2012, WomensCareerChannel.com had over 75,000 members.

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

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

For the nine months ended September 30, 2012, we generated substantially all of our revenue from two customers: Monster Worldwide, which generated approximately 63% of our revenue, and Apollo Group, the corporate parent of the University of Phoenix, which generated approximately 32% of our revenue. For the year ended December 31, 2011, we generated substantially all of our revenue from two customers: Monster Worldwide, which generated approximately 72% of our revenue, and Apollo Group, the corporate parent of the University of Phoenix, which generated approximately 20% of our revenue. See *Risk Factors Our revenues are highly dependent on two customers, and we will likely continue to be dependent on a small number of customers.*

Recruitment

Direct Sales

Historically we have been dependent on Monster Worldwide for all of our recruitment revenue pursuant to an alliance agreement that expired December 31, 2012. Because our agreement with Monster Worldwide was exclusive in so far as it prohibited us from selling our recruitment services to anyone other than Monster Worldwide, the growth of our company has been dependant on the growth of Monster Worldwide s diversity recruitment business. We believe that by expanding on the sources of our recruitment revenue, which we are doing by entering into non-exclusive agreements with new strategic business partners or an agreement that provides for limited exclusivity, such as the one we entered into with LinkedIn Corporation in November 2012 (as described below) and by establishing a sales force to commence direct sales of our products and services, we have an opportunity to provide better services to our customers and achieve revenues and margins that are greater than those achieved during the term of our agreement with Monster Worldwide. As discussed in Use of Proceeds below, we have budgeted approximately 15% of the net proceeds of the offering for sales and marketing expenses, including approximately 5% in payroll for the addition of employees in our direct sales team.

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Prior to the expiration of our agreement with the Monster Worldwide, we began developing an internal capacity for direct marketing and sales of recruitment services to companies seeking to hire diverse employees. We have transferred existing employees with diversity recruitment experience from client services to sales and we are hiring additional personnel to expand our direct marketing and sales of recruitment services. Because our agreement with LinkedIn provides for fixed quarterly payments that are approximately half of the fixed quarterly payments we received from Monster Worldwide (as described below), our revenues will decrease significantly unless we are able to generate significant revenues through direct sales.

Monster Worldwide, Inc.

We have an alliance agreement with Monster Worldwide which expired on December 31, 2012 and was not renewed. Pursuant to this agreement, Monster Worldwide had been the exclusive seller of job postings on our websites. Our agreement with Monster Worldwide provides for an annual fixed fee that is subject to adjustment based on certain criteria. To date, since the commencement of our agreement with Monster Worldwide in December 2007, our annual fixed fee payments have not been adjusted, nor have we failed to meet the target number of applicants to job postings each month for six consecutive calendar months.

Following the expiration of our alliance agreement with Monster Worldwide, we expect to experience significant decreases in revenue for a period of time because (i) our agreement with LinkedIn provides for fixed quarterly payments that are approximately half of the fixed quarterly payments we received from Monster Worldwide (as described below) and we cannot predict how much commission revenue, if any, we will earn through LinkedIn and (ii) our sales force will require time to generate sales because we could not and did not begin to market and sell our recruitment services directly to companies until after our agreement with Monster Worldwide expired on December 31, 2012. We expect to experience such decrease in revenue until such time as LinkedIn and our sales team are able to generate sufficient sales to replace the revenue previously generated by our agreement with Monster Worldwide.

Under our agreement with Monster Worldwide, we have agreed to provide limited support and access to data to permit Monster Worldwide to continue to meet certain obligations to its customers in 2013. With respect to job postings that Monster sold prior to the expiration of our agreement on December 31, 2012, we are permitting Monster to maintain such postings on our websites until the earlier of (a) the date that Monster Worldwide s obligation to maintain such posting expires or (b) December 31, 2013. In addition, we will continue to provide Monster with access to our data until December 31, 2013. We expect to incur only de minimis additional labor and de minimis additional costs, and will not receive any additional payments from Monster Worldwide subsequent to the expiration of our agreement. For additional information about our business arrangements with Monster Worldwide, please see the section entitled *Business - Monster Worldwide*.

LinkedIn

On November 12, 2012, we entered into a diversity recruitment partnership agreement with LinkedIn, which became effective on January 1, 2013. Pursuant to our agreement, LinkedIn may resell to its customers diversity-based job postings and recruitment advertising on our websites. Our agreement with LinkedIn provides that LinkedIn make fixed quarterly payments to us that are approximately half of the fixed quarterly payments we received from Monster Worldwide and a percentage commission for sales of our services in excess of certain thresholds. The fixed quarterly payments are payable regardless of sales volumes or any other performance metric. Although such fixed quarterly payments are significantly less than the fixed quarterly payments that we received from Monster Worldwide, we believe that we have the potential to exceed our revenues from our previous agreement with Monster Worldwide because (i) we may earn additional commission payments with LinkedIn if certain sales levels are achieved, and (ii) we may earn revenue by selling our services directly, as described above. Under our agreement with LinkedIn, we will receive (i) no commissions on the first $10 million of LinkedIn s revenue from the sale of our services during each calendar year, (ii) 20% commission on

LinkedIn s revenue from the sale of our services during each calendar year that is in excess of $10 million and less than $50 million, and (iii) 15% commission on LinkedIn s revenue from the sale of our services during each calendar year that is in excess of $50 million. As an example solely to illustrate the stair-step structure of our commission schedule with LinkedIn, if LinkedIn sells $60 million of our services during any calendar year, we would receive $9.5 million in commission revenue for such year, in addition to our fixed payments, because we would earn no commission revenue for the first $10 million of LinkedIn sales of our services, $8 million in commission revenue for the next $40 million of LinkedIn sales of our services and $1.5 million in commission revenue for the remaining $10 million of LinkedIn sales of our services. However, there can be no assurance that we will meet or exceed revenues earned through Monster Worldwide in prior periods.

During the term of our agreement with LinkedIn, we may not permit any competitor of LinkedIn to resell our diversity-based recruitment services. Our agreement does not prohibit LinkedIn from selling its own or any third party s diversity recruitment services, however, during the term of our agreement with LinkedIn and for a period of one year thereafter, we may not sell our diversity-based recruitment services, directly or indirectly, to any of the 1,000 companies on LinkedIn s restricted account list. The companies in such restricted accounts list are of varying sizes, operate in diverse geographical locations and conduct business in different sectors. We believe LinkedIn designated these particular companies in its restricted account list because LinkedIn has established business relationships with these companies and feels that these companies are potential purchasers of diversity recruitment services. We are permitted, however, to market and sell our products to any company that is not on such restricted account list after our exclusive agreement with Monster Worldwide expired on December 31, 2012.

The term of our agreement with LinkedIn is three years, subject to LinkedIn s right, in its sole and absolute discretion, to terminate our agreement on the six-month anniversary of the effective date upon not less than 30 days prior notice and during the fourth calendar quarter of the first and second years of the term of our agreement upon not less than 90 days prior notice. If not terminated sooner, the term of our agreement with LinkedIn will automatically renew for successive one-year terms unless either party delivers a notice of non-renewal with 90 days prior notice. For additional information about our business arrangements with LinkedIn, please see the section entitled *Business LinkedIn*.

Advertising

University of Phoenix

On January 11, 2011, we entered into a marketing media services agreement with Apollo Group, Inc. The agreement provides the framework for our relationship with Apollo Group. It has no expiration date but could be terminated by either party upon thirty days prior written notice. During the term of the agreement, we could not perform advertising services for any other institution of higher education, whether for-profit or non-profit, other than Apollo Group. The agreement required us to enter into separate purchase orders or statements of work, referred to as media schedules, which describe the services we provided to Apollo Group on a project basis and the compensation we were paid. We entered into two media schedules with Apollo Group. The first media schedule was a trial run that by its terms covered a period of six months ending June 30, 2011, but which Apollo Group and we agreed to extend until August 31, 2011, and provided for fees to us in the amount of $664,000. Thereafter, based on Apollo Group s satisfaction with our performance, we entered into a media schedule which expanded the scope of our services and covered a longer period than the term of the first media schedule, ending September 11, 2012, and provided for fees to us in the amount of $1,550,000. Pursuant to the agreement and related media schedules, we received fees for placing advertising media on our websites to promote Apollo Group s University of Phoenix and for creating, maintaining and operating the Education to Career and Education to Education networking portal websites. Most of our advertising revenue is derived from our agreement with Apollo Group. For the nine months ended September 30, 2012, we recognized $1.5 million in respect of fees from Apollo Group for our services. This constituted 32% of our total revenue and 87% of our revenue from consumer media advertising and marketing solutions. In 2011, we recognized revenue of $1.1 million in respect of fees from Apollo Group for our services. This constituted 20% of our total revenue and 72% of our revenue from consumer media advertising and marketing

solutions. On June 11, 2012, we agreed to an insertion order with Apollo Group. The insertion order now governs our agreement with Apollo Group with respect to the Education to Education networking portal websites, and it provides for payment to us of up to $150,000 per month during a twelve-month term commencing July 1, 2012 and ending July 1, 2013, based upon the number of persons we refer to the University of Phoenix who express an interest in obtaining information about attending the University of Phoenix. There is no guaranteed payment associated with this insertion order and for the nine months ended September 30, 2012, PDN generated $313,000 of revenue pursuant to the insertion order. On October 1, 2012, we entered into a revised and restated master services agreement with Apollo Group to replace our original marketing media services agreement. Our new agreement now governs our agreement with Apollo Group with respect to Education to Careers networking portal website, and it provides for monthly payments of $116,667 during a one year term ending March 31, 2014. For additional information about our business arrangements with Apollo Group, please see the section entitled *Business - Advertising Revenue - University of Phoenix.*

We generate a small percentage of our advertising revenue from advertisers that promote their brands and advertise their products and services to our members. One of our key goals is to grow the consumer media advertising portion of our business. We believe that advertisers are attracted to our network of members as an effective means to reach a diverse professional market.

Financial Performance

We have been profitable each year since 2006. Our revenue for the nine months ended September 30, 2012 increased 14% from the nine months ended September 30, 2011, from approximately $4.17 million to $4.74 million, while our net income in such period decreased 6.6% from $2.15 million to $2.01 million. From 2010 to 2011, our revenue increased 27%, from approximately $4.4 million to $5.6 million, while our net income in such period increased 47% from $1.9 million to $2.7 million.

Our Mission

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

Our Values and Company Culture

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

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

Industry Background and Our Opportunity

We believe that we are well-positioned for growth because our business takes advantage of the following emerging trends:

- Increasing Socialization of the Internet

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Online social and professional networking websites are increasingly becoming a powerful tool to connect people with one another on a large scale.

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

As ethnic minorities represent growing share of the overall population according to the 2010 United States census, diversity hiring is increasingly becoming a common, if not standard, business practice of major employers. According to a job report published on February 5, 2010 by the U.S. Equal Employment Opportunity Commission, or EEOC, the percentage of private sector minority employment in the U.S. compared to overall employment tripled between 1966 and 2008, from 11% to 34%, with Hispanic-Americans exhibiting the fastest growth rate (from 2.5% in 1966 to more than 13% in 2008) of all minority groups. According to the Monthly Labor Review published in January 2012 by the Bureau of Labor Statistics, Hispanic-Americans are also expected to account for the vast majority 74% of the 10.5 million workers added to the labor force in the U.S. from 2010 to 2020.

Regulatory Environment Favorable to Promoting Diversity in the Workplace

As outlined in Executive Order 13583, signed by President Obama on August 18, 2011, companies considering contracting with the federal government must be prepared to demonstrate the diversity of their workforce, and the Department of Labor under the Obama Administration is placing a greater emphasis on promoting diversity employment in the private sector.

Rising Spending Power of Ethnic Population

The spending power of diverse groups is expected to continue to grow in the United States. According to a January 2011 report by the Kenan-Flagler Business School at the University of North Carolina, by 2014, the buying power of Hispanic Americans will have grown by 613% since 1990, a higher rate than any other ethnic group.

Acceptance and Growth of Online Recruitment and Advertisement.

Businesses now recognize and seek to take advantage of the socialization of the Web for recruitment and for brand management, marketing and advertising. 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 an article published by eMarketer, Inc. on February 24, 2012.

Because of these emerging trends, we believe there is great opportunity for growth. Ninety-four companies in the Fortune 100 feature diversity hiring on their company 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 organic growth.

See *Business Industry Background and Our Opportunity* below.

Our Solutions

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

Solutions for Members

We offer our members a variety of online professional networking and career placement solutions, including the following:

Talent recruitment communities,

Job postings and company information search capability,

Identity and contact management,

Networking tools,

Mentoring program,

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- Career tools and skill-based content
- E-Newsletter and national event information.

Solutions for Employers and Recruiters

We post job listings of employers through our strategic partnership with LinkedIn. These employers include large corporations, small and medium-sized businesses, educational institutions, government agencies, non-profit organizations and other enterprises. The hiring solutions we offer include:

- Talent recruitment communities,
- Single and multiple job postings,
- Resume database,
- Hiring campaign marketing and advertising,
- Research on products and services and
- Employment Recruitment Intelligence Compliance Assistance (ERICA).

Solutions for Advertisers

- *Advertising Campaign Services*. Our platform also enables advertisers to target and reach large audiences of diverse professionals and connect them to relevant services. We assist advertisers in building campaigns and provide additional creative services. Our branding and marketing platform employs email marketing, social media, search engines, traffic aggregators and strategic partnerships.

Our Competitive Strengths

We believe the following elements give us a competitive advantage in accomplishing our mission:

- *Dedicated Focus on Diverse Professionals*. We believe that 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 Corporation, or LinkedIn, also have a professional focus, we are singularly focused on diverse professionals in the United States.
- *Platform That Harnesses the Power of Web Socialization*. We believe that our membership base will continue to grow virally and that our platform will be an increasingly powerful tool, enabling our members to leverage their connections and shared information for the collective benefit of all 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 such as The Association of Latino Professionals in Finance and Accounting.

Customized Technology Platform. Our technology platform has been custom-designed and built to facilitate networking engagement and job search. 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.

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Our Key Metrics

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

	As at September 30,	As at December 31,		
	2012	2011	2010	2009
iHispano.com Members[1]	1,205,005	1,116,790	667,499	234,572
AMightyRiver.com Members[1]	689,935	606,844	339,915	80,283
Members in Our Other Networks[1]	104,585	18,590	152	-
Total Members Across Our Networks[1]	1,999,525	1,742,224	1,007,566	314,855

1 The reported number of members is higher than the number of actual individual members because some members have multiple registrations, other members have died or become incapacitated and others may have registered under fictitious names. Although members who have been inactive for 24 months will be automatically deleted from our member database, a substantial majority of our members do not visit our websites on a monthly basis. Please see our risk factor entitled *The reported number of our members is higher than the number of actual individual members, and a substantial majority of our visits are generated by a minority of our members* on page 22.

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

	Nine Month Total Period ended September 30,	Annual Total For the year ended December 31,		
	2012	2011	2010	2009
Unique visitors to iHispano.com	3,705,264	4,711,780	4,580,489	3,488,075
Unique visitors to AMightyRiver.com	1,073,137	3,632,160	2,840,572	1,953,152
Unique visitors to our other networks	922,475	209,941	1,264	-
Total unique visitors across our networks	5,700,876	8,553,881	7,422,325	5,441,227
Visits to iHispano.com[1]	4,377,541	6,107,939	6,516,086	4,746,758
Visits to AMightyRiver.com[1]	1,226,277	4,844,004	3,892,309	2,593,147
Visits to our other networks[1]	1,060,636	247,185	5,946	-
Total visits across our networks[1]	6,664,454	11,199,128	10,414,341	7,339,905

1 A substantial majority of visits are generated by a minority of our members and users. Please see our risk factor entitled *The reported number of our members is higher than the number of actual individual members, and a substantial majority of our visits are generated by a minority of our members* on page 22.

We view visits and unique visitors as key indicators of growth in our brand awareness among users and whether we are providing our members with useful products and features. The unique visitor metric reflects our ability to attract new users, which is crucial to increasing the number of our members. The visits metric indicates our

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ability to keep our users and members engaged. Because we believe our member base has, in large part, grown virally through users and members who invite colleagues and peers to join their network, we expect that an increase in the number of unique visitors will result in an increase in the number of members, and vice versa. We plan to make improvements to features and products that we believe will also increase visits, unique visitor and member traffic to our websites. During 2010, our websites had a total of over 7 million unique visitors and over 10 million visits, respectively, which increased to over 8 million unique visitors and 11 million visits, respectively, during 2011.

Our Strategy

Our strategy for accomplishing our mission involves the following elements:

Launch and Acquire Additional Minority Professional Networking Websites. We believe that we can significantly expand our member base by launching our own new websites and acquiring other online professional networking websites focused on Hispanic Americans and African Americans and other diverse communities.

Employ Marketing Campaigns that Increase Traffic and Membership. We believe that we can increase our users and members through enhanced marketing efforts, such as media conferences, sponsored events, email marketing and ongoing search engine optimization.

Grow Consumer Advertising Revenue. We plan to build a sales and marketing team that can focus on selling our advertising.

Grow our Recruitment Platform. We plan on investing in our recruitment platform by adding additional services that enhance the user and recruiter experience. Our product roadmap builds upon our relationship recruitment platform.

Develop and Strengthen Relationships with Strategic Partners. We are working to strengthen our relationships with existing strategic partners and develop new relationships with online networking websites and professional organizations, with a view toward increasing traffic to our websites and broadening our membership base and our hiring and marketing solutions.

Direct Recruitment Sales. Starting in January 2013, we began to develop sales of diversity recruitment products and services directly to employers that are not among the companies exclusive to LinkedIn.

Hire Strategically. We hire experienced individuals in sales, marketing and technology.

Add Functionality to Increase Member Value and Generate Revenue. We are working to enhance the functionality of our websites, improve our applications, tools and resources and more efficiently and effectively utilize information captured on our websites.

Risks Associated with Our Business

Our business is subject to a number of risks discussed under the heading Risk Factors and elsewhere in this prospectus, including, but not limited to, the following:

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

Our agreement with Monster Worldwide expired on December 31, 2012, and it is uncertain when, if ever, we can replace the revenues we received through our agreement with Monster Worldwide.

Our ability to grow our advertising revenue is dependent on our relationship with and the performance of Apollo Group.

We face risks associated with our agreement with LinkedIn.

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

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 expect to face increasing competition in the market for online professional networks from social networking websites and Internet search companies, among others, and since January 1, 2013, we faced competition from Monster Worldwide.

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

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

You should carefully consider these factors, as well as all of the other information set forth in this prospectus, before making an investment decision.

Company Information

Substantially simultaneously with the effectiveness of the registration statement of which this prospectus is a part, we will restructure by reorganizing into a Delaware corporation. Our principal executive offices are located at 801 W. Adams Street, Chicago, Illinois 60607. Our telephone number is (312) 614-0950, and our corporate website is www.prodivnet.com. The information contained in or connected to our corporate website, and the websites of our online networks, including iHispano.com, AMightyRiver.com, WomensCareerChannel.com, ACareers.net, OutProNet.com, Military2Career.com and ProAble.net are not incorporated by reference into, and should not be considered part of, this prospectus. iHispano®, AMightyRiver.com, WomensCareerChannel.com, ACareers.net, OutProNet.com, Military2Career.com and ProAble.net and other intellectual property and trademarks or service marks of Professional Diversity Network appearing in this prospectus are our property. Trade names, trademarks and service marks of other companies appearing in or incorporated by reference into this prospectus are the property of the respective holders.

The Offering

Price per share of common stock offered by us	$8.00
Common stock offered by us	2,625,000 shares
Common stock outstanding prior to this offering	3,693,227 shares(1)
Common stock to be outstanding immediately after this offering	6,318,227 shares
Use of proceeds	The net proceeds to us from this offering will be approximately $19.2 million, after deducting the underwriting discounts and commissions, the underwriters accountable expense reimbursement of up to 1.5% of the gross proceeds from the sale of the firm shares and estimated offering expenses, at an initial public offering price of $8.00. We intend to use approximately 15% of the net proceeds of this offering for sales and marketing (which, includes approximately 5% for additional payroll for additional employees in our direct sales team), 25% of the net proceeds for product development, 40% of the net proceeds for strategic acquisitions, and reserve the remaining 20% of the net proceeds for future growth opportunities which may include additional investments in sales and marketing, products and/or strategic acquisitions and for general working capital. Although from time to time, we may meet with and identify acquisition targets, we currently have no agreements or commitments with respect to material acquisitions or investments in other companies. See Use of Proceeds on page 33 of this prospectus.
Over-allotment option	We have granted the underwriters an option for a period of 45 days to purchase, on the same terms and conditions set forth above, up to an additional 393,750 shares to cover over-allotments.
Underwriters warrant	In connection with this offering, we have also agreed to issue to the underwriters, for $100, a warrant to purchase up to 131,250 shares of our common stock, or 5% of the shares offered by this Prospectus (not including shares sold, if any, pursuant to the over-allotment option). If the underwriters exercise the warrant, each share of our common stock may be purchased for $10.00 per share (which is 125% of the price per share of our common stock offered by this prospectus).
Lock-up agreements	Our directors and officers and any other holder of outstanding shares of our common stock entered into customary lock-up agreements in favor of the underwriters pursuant to which such persons and entities

(1) Consists of 3,487,847 shares issued in our corporate reorganization and 205,380 shares, as computed based upon the balance outstanding of March 4, 2013, which gives effect to the principal payments made and interest accrued during the period of October 1, 2012 through March 4, 2013, that were issued upon the conversion of our debt. See *Certain Relationships and Related Party Transactions Agreements with Directors and Executive Officers* on page 76.

	will agree, for a period of 180 days from the closing date of this offering, that they will be subject to a lock-up agreement prohibiting any sales, transfers or hedging transactions of any securities of the company owned by them without the underwriters prior written consent.
Nasdaq Capital Market listing	Our common stock has been approved for listing on the Nasdaq Capital Market under the symbol IPDN.
Exchange of insider debt for equity	Ferdinando Ladurini, Daniel Ladurini and James R. Kirsch have entered into a debt exchange agreement whereby our three promissory notes in the principal amounts of $1,341,676, $142,000 and $37,143 plus any accrued interest owed to them, respectively, have been converted into LLC membership interests and have been effectively exchanged for shares of common stock at a price per share equal to the offering price. Such shares will be subject to the lock-up agreements entered into with the underwriters in connection with this offering and may not be sold until the expiration of the lock-up period thereunder.
Corporate reorganization	We have reorganized from an Illinois limited liability company to a Delaware corporation. The Delaware corporation has succeeded to the obligations of the Illinois limited liability company. The limited liability company board of managers has been dissolved and replaced with a board of directors. Of the five members on the board of managers, only James Kirsch is a member of our board of the directors. Rudy Martinez continues to be Executive Vice President and Chief Executive Officer of our iHispano.com division, but is not on our board of directors. Daniel Ladurini, Ferdinando Ladurini and Daniel Kirsch will not be employed by or serve our company in any capacity.
Risk factors	Investing in our common stock involves a high degree of risk. See Risk Factors on page 17 of this prospectus.

Smaller Reporting Company and Emerging Growth Company

Following this offering, we will continue to be a smaller reporting company, as defined in Regulation S-K of the Securities Act of 1933 and an emerging growth company under the JOBS Act.

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Outstanding Shares

The number of shares of our common stock that will be outstanding immediately after this offering is based on 6,318,227 [(1)] shares outstanding as of the date of this prospectus and excludes:

- 500,000 additional shares of common stock reserved and available for future issuances under our 2013 Equity Compensation Plan which we intend to adopt prior to the commencement of the offering; and
- 131,250 shares of common stock issuable upon exercise of warrants to be issued to the underwriters in connection with this offering that will remain outstanding after this offering at an exercise price equal to 125% of the initial public offering price.

Unless otherwise indicated, this prospectus:

- assumes the completion of the company s reorganization, pursuant to which each holder of an outstanding membership interest in the company will contribute to the company all of the right, title and interest in and to such holder s entire ownership interest in the company in exchange for a proportionate number of shares of common stock of the company immediately after conversion into a Delaware corporation;
- assumes an initial public offering price of $8.00 per share; and
- assumes no exercise of the underwriters option to purchase up to an additional 393,750 shares of our common stock.

Summary Financial Data

The following tables summarize our financial data. We have derived the statements of operations data for the years ended December 31, 2011 and 2010 and the consolidated balance sheet data as of December 31, 2011 from our audited financial statements appearing elsewhere in this prospectus. The unaudited consolidated statements of operations data for the nine months ended September 30, 2012 and September 30, 2011, and the unaudited consolidated balance sheet data as of September 30, 2012, are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be experienced in the future. You should read this data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, and our financial statements and related notes, all included elsewhere in this prospectus.

(1) Consists of 3,487,847 shares issued in our corporate reorganization and 205,380 shares, as computed based upon the balance outstanding of March 4, 2013, which gives effect to the principal payments made and interest accrued during the period of October 1, 2012 through March 4, 2013, that were issued upon the conversion of our debt. See *Certain Relationships and Related Party Transactions Agreements with Directors and Executive Officers* on page 76.

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	Nine Months Ended September 30, (unaudited)		Year Ended December 31, (audited)	
	2012	2011	2011	2010
Revenues:				
Recruitment services	$ 3,000,000	$ 3,000,000	$ 4,000,000	$ 4,000,000
Consumer advertising and consumer marketing solutions	1,736,470	1,166,593	1,569,342	384,654
Total revenues	**4,736,470**	**4,166,593**	**5,569,342**	**4,384,654**
Costs and expenses:				
Cost of services	679,233	597,864	817,254	722,003
Sales and marketing	1,094,645	709,599	1,021,839	657,811
General and administrative	743,952	510,965	723,093	897,221
Depreciation and amortization	84,823	81,134	108,592	88,030
Total costs and expenses	2,602,653	1,899,562	2,670,778	2,365,065
Income from operations	2,133,817	2,267,031	2,898,564	2,019,589
Other income (expense)				
Interest and other income	9,192	15,209	17,540	17,403
Interest expense	(129,939)	(127,543)	(170,452)	(171,685)
Other expense, net	(120,747)	(112,334)	(152,912)	(154,282)
Net income	**$ 2,013,070**	**$ 2,154,697**	**$ 2,745,652**	**$ 1,865,307**
Unaudited Pro Forma Income Tax Computation for Assumed Conversion to a Corporation:				
Historical Net Income	$ 2,013,070	$ 2,154,697	$ 2,745,652	$ 1,865,307
Pro-forma Income Tax Provision	833,421	877,095	1,127,491	745,465
Pro forma Net Income	$ 1,179,649	$ 1,277,602	$ 1,618,161	$ 1,119,842
Pro forma net income per common share(1):				
Basic and diluted	.32	.35	.44	.30
Shares used in computing pro forma net income per share(1)	3,693,227(2)	3,693,227(2)	3,693,227(2)	3,693,227(2)
Basic and diluted				

(1) Unaudited pro forma basic and diluted income per share is computed by dividing net income for each period by the shares of common stock as a result of our conversion from a limited liability company to a corporation. There is no other impact to the financial statements as a result of reorganizing from a limited liability company to a corporation, because our historical financial statements have included a pro forma provision for income taxes and related deferred income taxes.

(2) 3,693,227 shares consist of 3,487,847 shares to be issued in our corporate reorganization and 205,380 shares issued in connection with the conversion of our debt. See *Certain Relationships and Related Party Transactions Agreements with Directors and Executive Officers* on page 76.

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The following table sets forth selected balance sheet data as of September 30, 2012 and as of December 31, 2011 on:

an actual basis;

on a pro forma basis to reflect the completion of our corporate reorganization pursuant to which Professional Diversity Network, LLC was reorganized as a Delaware corporation and renamed Professional Diversity Network, Inc., and on a pro forma basis to reflect the conversion of promissory notes in the aggregate principal amount of $1,520,819 plus accrued interest in the amount of $112,862 at September 30, 2012 and $181,894 at December 31, 2011 owed to certain affiliates of the company into membership interests of Professional Diversity Network, LLC, which were subsequently converted into shares of common stock at a price per share equal to the offering price; and

on a pro forma as adjusted basis to reflect the receipt of the net proceeds from the sale of 2,625,000 shares of common stock in this offering at an initial public offering price of $8.00 per share, after deducting the estimated underwriting discounts and commissions, the underwriters accountable expense allowance and estimated offering expenses payable by us. You should read the selected balance sheet data together with our financial statements and the related notes appearing elsewhere in this prospectus, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and other financial information included in this prospectus.

	September 30, 2012		
	Actual	Pro forma(1)	Pro forma as adjusted(2)
Balance Sheet Data:			
Cash, cash equivalents and short-term investments	$ 1,898,440	$ 1,898,440	$ 20,473,185
Deferred IPO costs	632,030	632,030	-
Working capital	3,562,619	3,562,619	22,137,364
Total assets	5,459,375	5,459,375	23,402,090
Notes payable	1,477,428	-	-
Total members equity	3,682,064	-	-
Total stockholders equity	$ -	$ 5,159,492	$ 23,102,207

	December 31, 2011		
	Actual	Pro forma(1)	Pro forma as adjusted(2)
Balance Sheet Data:			
Cash, cash equivalents and short-term investments	$ 2,254,431	$ 2,254,431	$ 20,224,046
Deferred IPO costs	26,900	26,900	-
Working capital	3,829,383	3,829,383	21,798,998
Total assets	5,180,531	5,180,531	23,123,246
Notes payable	1,491,488	-	-
Total members equity	3,284,369	-	-
Total stockholders equity	$ -	$ 4,775,857	$ 22,718,572

(1) On a pro forma basis to reflect the completion of our corporate reorganization where Professional Diversity Network, LLC is reorganized as a Delaware corporation and renamed Professional Diversity Network, Inc., and on a pro forma basis to reflect the conversion of promissory notes in the aggregate principal amount of $1,520,819 plus accrued interest in the amount of $112,862 at September 30, 2012 and $181,894 at December 31, 2011 owed to certain founding members of the company into shares of common stock at a price per share equal to the offering price. Our outstanding promissory notes are currently non-convertible. However, in connection with this offering, we have an understanding with our founding members that the promissory notes will be exchanged into shares of our common stock at a price equal to the public offering price, without payment of any additional consideration; and

(2) Pro forma as adjusted to reflect the sale of 2,625,000 shares of our common stock in this offering at an initial public offering price of $8.00 per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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Risk Factors

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

Risks Related to Our Business and Strategy

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

Two of our customers, Monster Worldwide and Apollo Group, accounted for 63% and 32%, respectively, of our total revenues for the nine months ended September 30, 2012 and 72% and 19%, respectively, of our total revenues for the nine months ended September 30, 2011. Monster Worldwide and Apollo Group, accounted for 72% and 20%, respectively, of our total revenues for the year ended December 31, 2011 and 91% and 0%, respectively, of our total revenues for the year ended December 31, 2010.

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

Our agreement with Monster Worldwide expired on December 31, 2012, and it is uncertain when, if ever, we can replace the revenues we received through our agreement with Monster Worldwide.

Our agreement with Monster Worldwide expired on December 31, 2012 and was not renewed. Beginning January 1, 2013, we will no longer have in place the agreement with Monster Worldwide that has generated a substantial majority of our revenue. We expect to experience significant decreases in revenue for a period of time because (i) our agreement with LinkedIn provides for fixed quarterly payments that are approximately half of the fixed quarterly payments we received from Monster Worldwide and we cannot predict how much commission revenue, if any, we will earn through LinkedIn and (ii) our sales force will require time to generate sales because we could not and did not begin to market and sell our recruitment services directly to companies until December 31, 2012. It will be difficult for us to continue our current operations unless we are able to replace such lost revenues in a timely manner, and failure to do so would materially and adversely affect our business, operating results and financial condition.

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

As a result of the expiration of our exclusive arrangement with Monster Worldwide on December 31, 2012, which was not renewed, our revenue and our success will be dependent on an internal direct marketing and sales capability that still under development. We have the right to sell our services directly to any employer, except the 1,000 companies that are on the restricted account list pursuant to our agreement with LinkedIn. Under the terms of the agreement, we will not enter into additional reseller agreements during the term of our agreement with LinkedIn. While we intend to sell recruitment services to companies not subject to the exclusivity restrictions of the LinkedIn agreement, we are currently developing our direct sales team and our ability to successfully develop such a sales function that is successful and cost effective is uncertain. Furthermore, we have no prior experience in selling our services, and we cannot predict how much revenue we will be able to generate through direct sales. Therefore, there is no assurance that we will be successful in selling our services directly to employers.

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We face risks associated with our agreement with LinkedIn.

In November 2012, we entered into an agreement with LinkedIn Corporation. The LinkedIn agreement provides LinkedIn with the right to sell our services to its customers. LinkedIn will have the exclusive right to sell our services to a restricted account list of 1,000 companies selected by LinkedIn. The agreement with LinkedIn provides for quarterly payments that are approximately half of the fixed quarterly payments that we receive under our agreement with Monster Worldwide and provides for a percentage commission for sales of our services in excess of certain thresholds. There is no assurance that LinkedIn will be successful in selling our services, and we may not receive any commission revenue from our agreement with LinkedIn.

Our agreement with LinkedIn restricts our ability to sell our recruitment services. During the term of our agreement with LinkedIn, we cannot permit any competitor of LinkedIn to resell our diversity-based recruitment services. We cannot sell our diversity services to any employer that is listed on the restricted account list pursuant to our agreement with LinkedIn during the term of the agreement and for one year thereafter. While the term of the LinkedIn agreement is three years, LinkedIn has the right to terminate the agreement on the six-month anniversary of the effective date, and during the fourth calendar quarter of the first and second years of the term of the agreement. Termination or failure to renew or extend the LinkedIn agreement could materially harm our ability to successfully generate recruitment revenue.

Our ability to grow advertising revenue is dependent on our relationship with and the performance of Apollo Group.

Our marketing media services agreement with Apollo Group provides the framework for our relationship. It has no expiration date but may be terminated by either party upon thirty days prior written notice. The agreement requires us to enter into separate purchase orders or statements of work, referred to as media schedules, which describe the services we provide to Apollo Group on a project basis and the compensation we are paid. To date, we have entered into two media schedules with Apollo Group. The first media schedule was a trial run that by its terms covered a period of six months ending June 30, 2011. Thereafter, based on Apollo Group s satisfaction with our performance, we entered into a media schedule which expanded the scope of our services and covers a longer period than the term of the first media schedule. On February 7, 2013, we renewed our agreement with Apollo Group, which is effective until March 31, 2014. On June 11, 2012, we agreed to an insertion order with Apollo Group. The insertion order provides for payment to us of up to $150,000 per month for a period of 12 months, based upon the number of persons we refer to the University of Phoenix who express an interest in obtaining information about attending the University of Phoenix. There is no guaranteed payment associated with this insertion order and for the nine months ended September 30, 2012, PDN generated $313,000 of revenue. Further, during the term of our agreement with Apollo Group, we may not perform advertising services for any other institution of higher education, whether for-profit or non-profit, other than Apollo Group. Because we have an exclusivity arrangement with Apollo Group, our growth in this area of revenue is therefore dependent on the volume of students interested in, and the success of, Apollo Group s University of Phoenix.

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

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

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

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

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

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

Our industry is rapidly evolving and is becoming increasingly competitive. Larger and more established online professional networking companies, such as LinkedIn, may focus on the online diversity professional networking market and could directly compete with us. Upon expiration of arrangements with Monster Worldwide, they will compete with us. Rival companies or smaller companies, including application developers, could also launch new products and services that compete with us and that could 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. A current strategic partner, LinkedIn, may develop its own proprietary online diversity network and compete directly against us. To the extent LinkedIn terminates its relationship with us and 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.

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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 over the term of an agreement, which is typically 12 months. As a result, a significant portion of the revenue we report in each quarter is generated from agreements entered into during previous quarters. Consequently, an adjustment, termination or non-renewal of our agreement with LinkedIn, or a termination or decline in purchase orders pursuant to our agreement with Apollo Group, in any one quarter may not significantly impact our revenue in that quarter but will negatively affect our revenue in future quarters. In addition, we may be unable to adjust our fixed costs in response to reduced revenue. Accordingly, the effect of significant declines in our ability to generate revenue may not be reflected in our short-term results of operations.

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

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

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

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

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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. For example, we currently have a mobile application, or app, for the iPhone and plan to build apps for other mobile devices and will need to continually adapt our website and apps to be user-friendly to different operating systems and platforms. 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 does not load as quickly as they expect, users may seek other websites to obtain the information or services for which they are looking, and may not return to our websites as often in the future, or at all. This would negatively impact our ability to attract members and other users and increase engagement on our websites. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, operating results and financial condition may be materially and adversely affected.

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

Our systems are vulnerable to damage or interruption from catastrophic occurrences such as earthquakes, floods, fires, power loss, telecommunication failures, terrorist attacks, cyber attacks and similar events. We have

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

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

Our members provide us with information relevant to their career seeking experience with the option of having their information become public or 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 not 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

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information would diminish the ability of our marketing solutions customers to reach their target audiences and our ability to provide research data to our customers. Therefore, we must provide features and products that demonstrate the value of our networks to our members and motivate them to add additional, timely and accurate information to their profile and our networks. If we fail to successfully motivate our members to do so, our business, operating results and financial condition could be materially and adversely affected.

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

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

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

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

We are subject to a variety of laws and regulations in the United States, including laws regarding data retention, privacy and consumer protection, that are continually evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature and content of the materials searched, the ads posted, or the content provided by users. In addition, regulatory authorities are considering a number of legislative and regulatory proposals concerning data protection and other matters that may be applicable to our business. It is difficult to predict how existing laws will be applied to our business and the new laws to which we may become subject. See the discussion included in Government Regulation beginning on page 66 of this prospectus.

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.

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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. has increased and hiring activity has been limited. If the economy does not fully recover or worsens, or unemployment remains at 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 prospectus, we intend to use approximately 40% of the net proceeds of this offering for strategic acquisitions. Although we currently have no agreements or commitments with respect to material acquisitions or investments in other companies, we may, from time to time, explore opportunities to acquire or consolidate some of the companies in our industry. Depending on the nature of the acquired entity or operations, integration of acquired operations into our present operations may present substantial difficulties. Even where material difficulties are not anticipated, there can be no assurance that we will not encounter such difficulties in integrating acquired operations with our operations, which may result in a delay or the failure to achieve anticipated synergies, increased costs and failures to achieve increases in earnings or cost savings. The difficulties of combining the operations of acquired companies may include, among other things:

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

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

Our revenue growth rate may decline as our costs increase and we may not be able to maintain our profitability over the long term.

Our revenue grew from approximately $4.17 million for the nine months ended September 30, 2011 to $4.74 million for the nine months ended September 30, 2012, which represented a period over period increase of

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14%. However, net income decreased during the same period. From 2010 to 2011, our revenue grew from approximately $4.4 million to $5.6 million, which represented a year over year increase of 27%. In the future, even if our revenue continues to increase, our revenue growth rate may decline over time, and we may not be able to generate sufficient revenue to sustain our profitability. Moreover, a substantial majority of our historical revenue was generated through our arrangements with Monster Worldwide which expired on December 31, 2012 and would likely reduce our revenue significantly or any subsequent revenue growth rate. We also expect our costs to increase in future periods, which could negatively affect our future operating results. In particular, in 2012, our strategy is to continue to invest for future growth and we will incur additional expenses associated with being a publicly traded company, and as a result we may not be profitable in 2012. In particular, we expect to continue to expend substantial financial and other resources on:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We depend in part on various Internet search engines, such as Google, Bing and Yahoo!, to direct a significant amount of traffic to our websites. Our ability to maintain the number of visitors directed to our websites is not entirely within our control. Our competitors search engine optimization, or SEO, efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies in an attempt to improve their search results, which could adversely affect the placement of our search result page ranking. If search engine companies modify their search algorithms in ways that are detrimental to our new user growth or in ways that make it harder for our members to use our websites, or if our competitors SEO efforts are more successful than ours, overall growth in our member base could slow, member

engagement could decrease, and we could lose existing members. These modifications may be prompted by search engine companies entering the online professional networking market or aligning with competitors. Our websites have experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of users directed to our websites would materially harm our business and operating results. Our platform includes connectivity across the social graph, including websites such as Facebook, Google+, LinkedIn and Twitter. If for any reason these websites discontinue or alter their current open platform policy it could have a negative impact on our user experience and our ability to compete in the same manner we do today.

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

Wireless communications providers may provide users of mobile devices greater access to websites which compete with our websites at more favorable rates or at faster download speeds. This could have a material adverse effect on PDN 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. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuance of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business, operating results and financial condition may be materially harmed.

Risks Related to Our Common Stock and this Offering

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

Our directors and executive officers and their affiliated entities will, in the aggregate, beneficially own 22.20% of our outstanding common stock following the completion of this offering, assuming the underwriters do not exercise its option to purchase additional shares. In particular, Daniel Ladurini, who beneficially owns 33.58%, together with Mr. Kirsch, our Chairman and Chief Executive Officer and Mr. Martinez, our Executive Vice President and founder, will beneficially own 55.78% of our outstanding common stock following the completion of this offering, together will be able to control or influence significantly all matters requiring approval by our stockholders. These stockholders may have interests that differ from yours, and they may vote in a way with which you disagree and that may be adverse to your interests. The concentration of ownership of our common stock may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company, and may affect the market price of our common stock. This concentration of ownership also limits the number of shares of stock likely to be traded in public markets and therefore will adversely affect liquidity in the trading of our common stock. This concentration of ownership of our common stock may also have the effect of influencing the completion of a change in control that may not necessarily be in the best interests of all of our stockholders.

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

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

Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale.

We have a small public float relative to the total number of shares of our common stock that are issued and outstanding and a substantial majority of our issued and outstanding shares are currently restricted as a result of securities laws, lock-up agreements or other contractual restrictions that restrict transfers. Immediately following the consummation of this offering, we will have 6,318,227 shares of common stock outstanding.

All 2,625,000 shares of common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any shares held by our affiliates as defined in Rule 144 under the Securities Act. Upon the release of the underwriters lock-up from this offering, expected to occur 180 days after the date of this prospectus, approximately 3,693,227 additional shares will be eligible for sale, subject in some cases to volume and other restrictions of Rule 144 under the Securities Act. Sales of substantial amounts of our common stock in the public market following the release of lock-up restrictions or otherwise, or the perception that these sales could occur, could cause the market price of our common stock to decline.

You will experience immediate and substantial dilution in the net tangible book value of your investment and may experience further dilution in the future.

The offering price per share of common stock in this offering is substantially higher than the net tangible book value per share of our outstanding common stock prior to this offering. Consequently, when you purchase our common stock in this offering at offering price per share of $8.00, you will incur immediate dilution of $4.49 per share.

Nasdaq 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.

We are seeking to list our common stock on the Nasdaq Capital Market, and we will not offer our common stock unless we are approved for listing on a national securities exchange. However, we cannot assure you that our common stock will meet the continued listing requirements to be listed on Nasdaq in the future.

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

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

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

Provisions in our proposed amended and restated certificate of incorporation and amended and restated bylaws that we intend to adopt prior to the consummation of this offering may have the effect of delaying or preventing a change of control or changes in our management. Our proposed amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

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

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

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

We intend to use approximately 15% of the net proceeds of this offering for sales and marketing (which, includes approximately 5% for additional payroll for additional employees in our direct sales team), 25% of the net proceeds for product development, 40% of the net proceeds for strategic acquisitions and reserve the remaining 20% of the net proceeds for future growth opportunities. Although from time to time, we may meet with and identify acquisition targets, we currently have no agreements or commitments with respect to material acquisitions or investments in other companies. Our management will have considerable discretion in the

application of the net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not increase our operating results or the market value of our securities. Until the net proceeds are used, they may be placed in investments that do not produce significant income or that may lose value.

We are obligated to develop and maintain proper and effective internal controls over financial reporting. We may not complete our analysis of our internal controls over financial reporting in a timely manner, or these internal controls may have one or more material weaknesses, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be evaluated frequently. Section 404 of the Sarbanes-Oxley Act requires public companies to conduct an annual review and evaluation of their internal controls and attestations of the effectiveness of internal controls by independent auditors. We would be required to perform the annual review and evaluation of our internal controls no later than for the fiscal year ending December 31, 2013. However, we initially expect to qualify as a smaller reporting company and as an emerging growth company, and thus, we would be exempt from the auditors   attestation requirement until such time as we no longer qualify as a smaller reporting company and an emerging growth company. We would no longer qualify as a smaller reporting company if the market value of our public float exceeded $75 million as of the last day of our second fiscal quarter in any fiscal year following this offering. We would no longer qualify as a emerging growth company at such time as described in the risk factor immediately below.

We are in the early stages of the costly and challenging process of compiling the system and processing documentation necessary to evaluate and correct a material weakness in internal controls needed to comply with Section 404. The material weakness relates to our being a small company with a limited number of employees which limits our ability to assert the controls related to the segregation of duties. During the evaluation and testing process, if we identify one or more additional material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline.

We have taken the first step towards remediating our material weakness relating to segregation of duties by hiring a Chief Financial Officer with public company reporting experience. We intend to hire additional accounting personnel prior to management s first required review and evaluation of internal controls for the fiscal year ending December 31, 2012. The costs relating to remediating this material weakness will primarily consist of additional employment costs, which we do not expect to have a material effect on our results of operations.

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 2017, which will increase the costs and demands placed upon our management.

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

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

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

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

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

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

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

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Special Note Regarding Forward-Looking Statements

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

- our dependence on two customers, Monster Worldwide and Apollo Group, with whom we have exclusive arrangements, and our ability to maintain these two customers, increase our revenues from these two customers, and develop other sources of revenue;
- 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;
- our ability to obtain and maintain intellectual property protection for our intellectual property;
- any future litigation regarding our business, including intellectual property claims;
- general and economic business conditions; and
- any other risks described under Risk Factors in this prospectus.

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

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

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Use of Proceeds

At an initial public offering price of $8.00 per share, we estimate our net proceeds from the sale of 2,625,000 shares of our common stock in this offering will be $19.2 million, after deducting the estimated underwriting discounts and commissions, the underwriters accountable expense allowance of up to 1.5% of the gross proceeds from the sale of the firm shares and estimated offering expenses payable by us.

If the underwriters exercise their option to purchase additional shares in full, we estimate that our net proceeds from this offering will be $22.1 million, after deducting the estimated underwriting discounts and commissions, the underwriters accountable expense allowance and estimated offering expenses payable by us.

The expected use of net proceeds from this offering represents our current intentions, based upon our present plans and business conditions; however, our plans and business conditions are subject to change and there may be circumstances where a reallocation of funds is necessary. The amount and timing of our actual expenditures depend on numerous factors, including fluctuations in corporate hiring, economic conditions and availability of opportunities. Accordingly, we may change the allocation of use of these proceeds as a result of contingencies.

We intend to use approximately 15% of the net proceeds of this offering for sales and marketing (which includes approximately 5% for additional payroll for additional employees in our direct sales team), 25% of the net proceeds for product development, 40% of the net proceeds for strategic acquisitions and reserve the remaining 20% of the net proceeds for future growth opportunities which may include additional investments in sales and marketing, products and/or strategic acquisitions and for general working capital. Although from time to time, we may meet with and identify acquisition targets, we currently have no agreements or commitments with respect to material acquisitions or investments in other companies. Management will retain broad discretion in the allocation of the net proceeds of this offering. You will not have the opportunity to evaluate the economic, financial or other information on which we base our decisions on how to use the proceeds.

Dividend Policy

Following the completion of this offering, we intend to retain the net proceeds of the offering and our future earnings, if any, to finance the further development and expansion of our business and do not intend or expect to pay cash dividends in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, outstanding indebtedness and plans for expansion and restrictions imposed by lenders, if any.

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Capitalization

The following table sets forth our capitalization as of September 30, 2012 on:

an actual basis;

on a pro forma basis to reflect the completion of our corporate reorganization pursuant to which Professional Diversity Network, LLC is reorganized as a Delaware corporation and renamed Professional Diversity Network, Inc., and on a pro forma basis to reflect the conversion of promissory notes in the aggregate principal amount of $1,520,819 plus accrued interest in the amount of $112,862 owed to certain affiliates of the company into shares of common stock at a price per share equal to the offering price. Our outstanding promissory notes are currently non-convertible. However, in connection with this offering, we have an understanding with our founding members that the promissory notes will be exchanged into an estimated 205,380 shares of our common stock at a price equal to the public offering price, without payment of any additional consideration; and

on a pro forma as adjusted basis to reflect the receipt of the net proceeds from the sale of 2,625,000 shares of common stock in this offering at an assumed initial public offering price of $8.00 per share, after deducting the estimated underwriting discounts and commissions, the underwriters accountable expense allowance and estimated offering expenses payable by us. You should read this capitalization table together with our financial statements and the related notes appearing elsewhere in this prospectus, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and other financial information included in this prospectus.

	As of September 30, 2012		
	Actual	**Pro forma**	**Pro forma as adjusted**
Stockholders equity:	$		$ -
Undesignated preferred stock, $0.01 par value, 1,000,000 shares authorized, no shares designated, issued or outstanding, actual and pro forma as adjusted	-		
Notes payable	1,477,428	-	-
Common stock, $0.01 par value, 25,000,000 shares authorized, 0 shares issued and outstanding, actual; 25,000,000 shares authorized 3,692,057, issued and outstanding pro forma and 6,317,057 issued and outstanding pro forma as adjusted	-	36,921	63,171
Members Equity	3,682,064	-	-
Additional paid-in capital	-	5,122,571	23,039,036
Total stockholders equity	-	5,159,492	23,102,207
Total capitalization	$5,159,492	$ 5,159,492	$ 23,102,207

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The outstanding share information in the table above is based on the number of shares outstanding as of September 30, 2012 (the same number of shares are outstanding as of the date of this prospectus), and excludes:

- 500,000 additional shares of common stock reserved and available for future issuances under the 2013 Equity Compensation Plan; and

- 131,250 shares of common stock issuable upon exercise of warrants to be issued to the underwriters in connection with this offering that will remain outstanding after this offering at an exercise price equal to 125% of the initial public offering price.

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Dilution

If you invest in our common stock, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after completion of this offering.

As of September 30, 2012, we had a net tangible book value of $3,598,475, or $0.97 per share of common stock on a pro forma basis giving effect to the completion of our reorganization. Net tangible book value per share is equal to our total tangible assets (total assets less intangible assets) less our total liabilities divided by the number of shares of common stock outstanding.

After giving effect to our sale of shares of common stock at an initial public offering price of $8.00 per share, deducting the underwriting discounts and commissions, the underwriters accountable expense allowance and estimated offering expenses payable by us, the pro forma as adjusted net tangible book value of our common stock, as of September 30, 2012, would have been $22.2 million, or $3.51 per share.

This amount represents an immediate increase in net tangible book value to our existing stockholders of $2.54 per share and an immediate dilution to new investors of $4.49 per share.

The following table illustrates this dilution on a per share basis.

Initial public offering price per share	$ 8.00
Historical net tangible book value per share as of September 30, 2012 on a pro forma basis giving effect to the completion of our reorganization.	$ 0.97
Pro forma increase in net tangible book value per share attributable to new investors purchasing shares in this offering	$ 2.54
Pro forma as adjusted net tangible book value per share after this offering	$ 3.51
Dilution per share to new investors in this offering	$ 4.49

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The following table summarizes, on a pro forma as adjusted basis, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by our existing stockholders and by new investors, based upon an initial public offering price of $8.00 per share, and before deducting underwriting discounts and commissions, the underwriters accountable expense allowance and offering expenses payable by us.

	Shares Purchased		Total Consideration		Weighted Average Price
	Number	**Percent**	**Amount**	**Percent**	**Per Share**
Existing stockholders	3,693,227	58%	$ 5,315,745	20%	$ 1.43
New investors	2,625,000	42	21,000,000	80%	8.00
	6,318,227	100%	$ 26,315,745		4.17

In the preceding tables, the shares of common stock outstanding exclude, as of the date of this prospectus:

- 500,000 additional shares of common stock reserved and available for future issuances under the 2013 Equity Compensation Plan;
- 393,750 shares of our common stock that may be purchased by the underwriters to cover over-allotments, if any; and
- 131,250 shares of common stock issuable upon exercise of warrants to be issued to the underwriters in connection with this offering that will remain outstanding after this offering at an exercise price equal to 125% of the initial public offering price.

If the underwriters exercise their option to purchase additional shares in full:

- the number of shares of our common stock held by existing stockholders would decrease to 55% of the total number of shares of our common stock outstanding after this offering;
- the number of shares of our common stock held by new investors would increase to 45% of the total number of shares of our common stock outstanding after this offering; and
- our pro forma as adjusted net tangible book value at September 30, 2012 would have been $25.4 million, or $3.78 per share of common stock, representing an immediate increase in pro forma as adjusted net tangible book value of $2.81 per share of common stock to our existing stockholders and an immediate dilution of $4.22 per share to investors purchasing shares in this offering.

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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 the Summary Financial Data and our financial statements and the related notes included elsewhere in this prospectus. 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 included elsewhere in this prospectus for additional information regarding forward-looking statements used in this prospectus. For purposes of this prospectus, unless the context clearly dictates otherwise, all references in this prospectus to professionals mean persons 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 prospectus should be interpreted accordingly. In addition, the company does not verify that any member of a particular 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 prospectus 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

We generate revenue through two sources recruitment and advertising. Our principal customer in the recruitment sector has been Monster Worldwide. However, our agreement with Monster Worldwide expired on December 31, 2012, and was not renewed. On November 12, 2012, we entered into a diversity recruitment partnership agreement with LinkedIn, which became effective on January 1, 2013. Pursuant to our agreement, LinkedIn may resell to its customers diversity-based job postings and recruitment advertising on our websites. Our principal customer in the advertising sector is Apollo Group.

Recruitment. Historically we have generated all of our recruitment revenue through our exclusive recruitment relationship with Monster Worldwide. That arrangement expired on December 31, 2012. Pursuant to our agreement with Monster Worldwide, we post the job opportunities of certain employers that work with Monster Worldwide on our websites and on the websites of diverse professional organizations with which we have cross-posting agreements. During the term of our agreement with Monster Worldwide, we are prohibited from selling products or services competitive with Monster Worldwide or enabling any competitor of Monster Worldwide (e.g., CareerBuilder or any other provider of job search services) to post jobs on our websites or otherwise provide content to, or derive content or advertising from, us. Please see the section entitled *Business - Monster Worldwide* for further information about our business arrangement with Monster Worldwide.

Following the termination of our agreement with Monster Worldwide on December 31, 2012, we will seek to market our diversity recruitment services directly to employers who are not subject to the restricted account list of 1,000 companies selected by LinkedIn.

Market Directly to Recruiters

We commenced development of an internal business plan to market diversity recruitment services to businesses directly prior to December 31, 2012 due to uncertainty of whether our agreement with Monster Worldwide would expire. Following the expiration, we began using certain existing employees and hired additional personnel to focus on these direct marketing activities.

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We believe favorable market conditions will be necessary for us to succeed in our new relationship with LinkedIn and our direct marketing initiative. We have begun to develop our internal sales force in order to be operational on January 2, 2013. We will need lead time to develop the new sales group and it will require significant additional investments to successfully market and sell our recruiting services directly to employers and our ability to succeed is uncertain.

We have segmented the diversity recruitment market into three sectors:

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

Our sales team will approach these markets using a combination of telephone and email marketing as well as, in some cases, personal visits to companies and or their recruitment agencies. We also plan to attend major recruitment conferences where diversity recruitment recruiters are in attendance. Our sales team will not have the ability to sell to any of the 1,000 companies that are listed on the restricted account list pursuant to our agreement with LinkedIn. The companies in such restricted accounts list are of varying sizes, operate in diverse geographical locations and conduct business in different sectors. We believe LinkedIn designated these particular companies in its restricted account list because LinkedIn has established business relationships with these companies and feels that these companies are potential purchasers of diversity recruitment services. We are permitted, however, to market and sell our products to any company that is not on such restricted account list after our exclusive agreement with Monster Worldwide expired on December 31, 2012. Our agreement with Monster Worldwide requires us to maintain the diversity-based job postings that originated from Monster Worldwide prior to December 31, 2012. We are not restricted to sell those companies any additional products or services nor are we prevented from selling those companies directly upon the end of the fulfillment period.

We have begun to invest in our direct sales infrastructure and expect to continue to do so in the future. We have budgeted approximately 15% of the net proceeds of the offering for sales and marketing expenses, including approximately 5% for additional payroll for additional employees in our direct sales team. 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. However, there is a risk that we will not successfully sell our products and services directly to employers at a level that supports the cost of providing those services.

We will not be able to generate any recruitment revenue unless and until we are able to market our diversity recruitment services to businesses directly, or alternatively, successfully develop our relationship with LinkedIn Corporation.

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 ourselves. 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).

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LinkedIn

On November 12, 2012, we entered into a diversity recruitment partnership agreement with LinkedIn, which became effective on January 1, 2013. Pursuant to our agreement, LinkedIn may resell to its customers diversity-based job postings and recruitment advertising on our websites. Our agreement with LinkedIn provides that LinkedIn make fixed quarterly payments to us that are approximately half of the fixed quarterly payments we received from Monster Worldwide and a percentage commission for sales of our services in excess of certain thresholds. The fixed quarterly payments are payable regardless of sales volumes or any other performance metric. Although such fixed quarterly payments are significantly less than the fixed quarterly payments that we receive from Monster Worldwide, we believe that we have the potential to exceed our revenues from our previous agreement with Monster Worldwide because (i) we may earn additional commission payments with LinkedIn, if certain sales levels are achieved, and (ii) we may earn revenue by selling our services directly, as described above. Under our agreement with LinkedIn, we will receive (i) no commissions on the first $10 million of LinkedIn s revenue from the sale of our services during each calendar year, (ii) 20% commission on LinkedIn s revenue from the sale of our services during each calendar year that is in excess of $10 million and less than $50 million, and (iii) 15% commission on LinkedIn s revenue from the sale of our services during each calendar year that is in excess of $50 million. However, there can be no assurance that we will meet or exceed revenues earned through Monster Worldwide in prior periods. As an example solely to illustrate the stair-step structure of our commission schedule with LinkedIn, if LinkedIn sells $60 million of our services during any calendar year, we would receive $9.5 million in commission revenue for such year, in addition to our fixed payments, because we would earn no commission revenue for the first $10 million of LinkedIn sales of our services, $8 million in commission revenue for the next $40 million of LinkedIn sales of our services and $1.5 million in commission revenue for the remaining $10 million of LinkedIn sales of our services.

During the term of our agreement with LinkedIn, we may not permit any competitor of LinkedIn to resell our diversity-based recruitment services. Our agreement does not prohibit LinkedIn from selling its own or any third party s diversity recruitment services, However, during the term of our agreement with LinkedIn and for a period of one year thereafter, we may not sell our diversity-based recruitment services, directly or indirectly, to any of the 1,000 companies on LinkedIn s restricted account list. The companies in such restricted accounts list range are of varying sizes, operate in diverse geographical locations and conduct business in different sectors. We believe LinkedIn designated these particular companies in its restricted account list because LinkedIn has established business relationships with these companies and feels that these companies are potential purchasers of diversity recruitment services. We are permitted, however, to market and sell our products to any company that is not on such restricted account list after our exclusive agreement with Monster Worldwide expired on December 31, 2012.

The term of our agreement with LinkedIn is three years, subject to LinkedIn s right, in its sole and absolute discretion, to terminate our agreement on the six-month anniversary of the effective date upon not less than 30 days prior notice and during the fourth calendar quarter of the first and second years of the term of our agreement upon not less than 90 days prior notice. If not terminated sooner, the term of our agreement with LinkedIn will automatically renew for successive one-year terms unless either party delivers a notice of non-renewal with 90 days prior notice. For additional information about our business arrangements with LinkedIn, please see the section entitled *Business - LinkedIn*.

Advertising. We generate most of our advertising revenue from our exclusive advertising relationship with Apollo Group, for which we place advertising on our websites and to whose website we direct our members to help advance their education. Under our agreement with Apollo Group, we may not provide advertising services for any other institution of higher education, whether for-profit or non-profit, other than Apollo Group. Because we have an exclusivity arrangement with Apollo Group, our revenue growth in this market segment is dependent on the volume of students interested in, and the success of, Apollo Group s University of Phoenix and their use of our websites. Please see the section entitled *Business - Advertising Revenue - University of Phoenix* for further information about our business arrangement with Apollo Group.

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The majority of our advertising revenue from Apollo Group is recognized based upon fixed fees with certain minimum monthly website visits or fixed fee for revenue sharing agreements in which payment is required at the time of posting. Unless we earn additional advertising revenue from clients outside of the higher education sector, our ability to generate additional advertising revenue is limited, unless we are able to negotiate more favorable terms with Apollo Group.

We believe that we have an opportunity for long-term growth with Apollo Group. In the short term, we are focused on maintaining our relationship with Apollo Group. If our relationship with Apollo Group is discontinued, we would suffer a loss in advertising revenue in the short-term. However, in the long-term, we feel that the for-profit education market sector is large enough and competitive enough to allow us to positively adjust to the potential loss of this client because we believe our target audience of diverse professionals is highly sought after. We believe we have significant opportunities to grow our advertising revenue from clients outside of the education sector.

Cost of Growth

In the nine months ended September 30, 2012, we began to increase our sales and marketing, as well as, product development expenses. Such expenses will not be capitalized under our financial statements, and we do not expect to see increased revenues resulting from these investments until the first quarter of 2013 at the earliest. Therefore, as we execute our strategy to increase advertising and recruitment revenue by hiring additional personnel, expanding our marketing efforts and building a sales team, our profitability has declined and may continue to decline in the short-term. We may increase our office space to accommodate additional personnel.

Results of Operations

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

Comparison of the Nine Months Ended September 30, 2012 with the Nine Months Ended September 30, 2011

	Nine Months Ended September 30,		September 30, 2011 to 2012 % change
	2012	2011	
	(in thousands)		
Revenue:			
Recruitment services	$ 3,000	$ 3,000	-
Consumer advertising and consumer marketing solutions	1,736	1,167	48.8
Total revenue	4,736	4,167	13.7
Operating expenses:			
Cost of services	679	598	13.6
Sales and marketing	1,095	710	54.3
General and administrative	744	511	45.6
Depreciation and amortization	85	81	4.5
Total operating expenses	2,603	1,900	37.0
Income from operations	2,134	2,267	(5.9)
Other income (expense):			
Interest and other income	9	15	(39.6)
Interest expense	(130)	(128)	1.9
Other expense, net	(121)	(112)	6.9%

Net income	$ 2,013	$ 2,155	(6.5)%

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Key Components of Our Results of Operations

Revenue

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.

	Nine Months Ended September 30,	
	2012	**2011**
Percentage of revenue by product:		
Recruitment revenue	63	72
Consumer advertising and consumer marketing solutions revenue	37	28

Total revenue was $4,736,470, an increase of $569,877, or 14%, for the nine months ended September 30, 2012, compared to $4,166,593 for the nine months ended September 30, 2011. Revenue from our recruitment solutions remained flat as our base fixed fee pursuant to our contract with Monster Worldwide did not change from 2011 to 2012. Revenue from our consumer advertising and consumer marketing solutions was $1,736,470, an increase of $569,877, or 49%, for the nine months ended September 30, 2012 compared to $1,166,593 for the nine months ended September 30, 2011. The period over period increase was a result of three amendments to our agreements with Apollo Group; the Apollo Education to Careers Agreement that commenced in the third quarter of 2011, which resulted in additional revenue of $269,333, an agreement entered into with Apollo Group to provide advertising and promotion services for its Education to Education Affinity Networking Portal Site, which resulted in additional revenue of $150,000 and an insertion order from Apollo Group which resulted in additional revenue of $313,321 based upon the number of persons we referred to the University of Phoenix who expressed an interest in obtaining information about attending the University of Phoenix. These increases were offset by a $120,395 decrease in advertising revenue and a $42,382 decrease in media-partner revenue. The reasons for these decreases was that we allocated additional advertising inventory to the Monster Worldwide recruitment channel, which is covered by our flat fee arrangement with Monster Worldwide, and demand for media partner services is slightly softer in 2012 than 2011.

Operating Expenses

Cost of services expense: Our cost of services expense for the nine months ended September 30, 2012 was $679,233, an increase of $81,369, or 13.6%, as compared to $597,864 for the nine months ended September 30, 2011. The period over period increase was primarily attributable to a net increase of $11,000 related to the maintenance and operation of our systems and websites consisting of computer programmer services expense increase of $31,000 and web hosting expense increase of $25,000, both due to increased traffic and functionality for our websites, offset by a decrease in web development expense $45,000 as we brought more of those expenses in-house in 2012 and this amount is now included in salaries and wages. Also contributing to the increase in cost of services was an increase in media expense related to our Apollo Group agreement which increased $47,000, and an increase in salaries and benefits of $67,000 resulting from hiring additional operations personnel in the fourth quarter of 2011 to support our revenue and traffic growth. The increase in cost of services expense was offset by a $45,000 decrease in revenue sharing costs as we focused our advertising and recruitment efforts on our Monster and Apollo agreements and less on promoting partner advertising revenue.

Sales and marketing expense: Sales and marketing expense for the nine months ended September 30, 2012 was $1,094,645, an increase of $385,046, or 54.3%, as compared to $709,599 for the nine months ended September 30, 2011. The period over period increase consisted of $148,000 in sales and marketing salaries and benefits which resulted from hiring additional staff in the third and fourth quarters of 2011 to support our revenue growth, a $227,000 increase in online marketing expense to generate and support additional website traffic, a $4,000 investment in customer database management tools and $6,000 to support our commitment to the University of Phoenix for student scholarships.

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General and administrative expense: Our general and administrative expenses for the nine months ended September 30, 2012 were $743,952, an increase of $232,987, or 45.6%, as compared to $510,965 for the nine months ended September 30, 2011. The period over period increase in general and administrative expense was primarily due to an increase in audit and accounting fees of approximately $119,000, increases in personnel expenses of $77,000 related to the hiring of additional personnel to support our planned initial public offering and a $49,000 increase in bad debt expense as we determined the outstanding balance of certain advertising revenue invoices were uncollectible, offset by a decrease in public relations expense of $10,000 as we scaled back our press release efforts due to the IPO process.

Depreciation and amortization expense: Depreciation and amortization expense for the nine months ended September 30, 2012 was $84,823, an increase of $3,689, or 4.5%, as compared to $81,134 for the nine months ended September 30, 2011. The period over period increase in depreciation and amortization expense was due to a $1,500 increase in depreciation expense and an increase of $2,189 in amortization expense for capitalized software.

Other Expenses and Income

Interest and other income: Interest and other income for the nine months ended September 30, 2012 decreased $6,017 or (39.6%), to $9,192, as compared to $15,209 for the nine months ended September 30, 2011. The period over period decrease was attributable to a decrease in interest and dividend income on our cash balances as we have liquidated our bond investments and currently hold only one exchange traded fund and the majority of our investments are in a money market account.

Interest expense : Interest expense relates to the interest on our notes payable to certain note holders of the company. The increase in interest expense of $2,396, or 1.9%, to $129,939 for the nine months ended September 30, 2012, compared to $127,543 for the nine months ended September 30, 2011, was attributable to an increase in the accrued interest balance of the notes payable to our note holders. Interest expense includes the amortization of a discount of $54,971 and $49,317 at September 30 2012 and September 30, 2011, respectively, for the note payable to one of our note holders pursuant to which we made monthly payments. Payments on the discounted note were $144,000 for each of the nine months ended September 30, 2012 and September 30, 2011.

Comparison of the Year Ended December 31, 2011 with the Year Ended December 31, 2010

	Year Ended December 31,		**December 31, 2010 to 2011 % change**
	2011	**2010**	
	(in thousands)		
Revenue:			
Recruitment services	$ 4,000	$ 4,000	-
Consumer advertising and consumer marketing solutions	1,569	385	308
Total revenue	5,569	4,385	27.0
Operating expenses:			
Cost of services	817	722	13.2
Sales and marketing	1,022	658	55.3
General and administrative	723	897	(19.4)
Depreciation and amortization	109	88	23.9
Total operating expenses	2,671	2,365	12.9
Income from operations	2,898	2,020	43.5
Other income (expense):			
Interest and other income	18	17	0.8
Interest expense	(170)	(172)	(0.7)

Other expense, net	(152)	(154)	(0.9)
Net income	$ 2,746	$ 1,865	47.0%

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Revenue

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.

	2011	2010
Percentage of revenue by product:		
Recruitment revenue	72	91
Consumer advertising and consumer marketing solutions revenue	28	9

Total revenue was $5,569,342, an increase of $1,184,688, or 27%, for the year ended December 31, 2011 compared to $4,384,654 for the year ended December 31, 2010. Revenue from our recruitment solutions remained flat as our base fixed fee pursuant to our contract with Monster did not change from 2010 to 2011 and, although we continued to exceed our contract minimums, we did not exceed the number of applications required to receive additional revenue from Monster. Revenue from our consumer advertising and consumer marketing solutions was $1,569,342, an increase of $1,184,688, or 308%, for the year ended December 31, 2011 compared to $384,654 for the year ended December 31, 2010, primarily due to $1,130,667 of revenues derived from the agreement entered into with Apollo and to a lesser extent a $54,021 increase in partner advertising revenue due to an overall increase in professional hiring demand and further market penetration of our consumer advertising and consumer marketing solutions.

Operating Expenses

Cost of services expense: Our cost of services expense for the year ended December 31, 2011 was $817,254, an increase of $95,251, or 13.2%, as compared to $722,003 for the year ended December 31, 2010. The year over year increase was primarily attributable to an increase of approximately $66,000 related to the maintenance and operation of our systems and websites, an increase of $12,000 in operations salaries and benefits and a decrease of $26,000 in our revenue sharing costs related to the number of advertisements placed on partner websites in 2011.

Sales and marketing expense: Sales and marketing expense the year ended December 31, 2011 was $1,021,839, an increase of $364,028, or 55.3%, as compared to $657,811 for the year ended December 31, 2010. The year over year increase primarily consisted of $223,000 of online marketing and public relations expenses related to our revenue growth in the consumer advertising and marketing solutions and a $141,000 increase in marketing salaries and benefits resulted from hiring additional sales and marketing staff in 2011 to support our revenue growth.

General and administrative expense: Our general and administrative expense for the year ended December 31, 2011 were $723,093, a decrease of $174,128, or 19.4%, as compared to $897,221 for the year ended December 31, 2010. The year over year decrease in general and administrative expense was primarily due to a decrease of $243,000 in additional compensation payments paid to one of the members. The decrease in additional compensation payments consists of $221,679 for a down payment and earnest money paid in 2010 for a condominium apartment in Miami, Florida which was primarily used by the company and a decrease of $21,425 in expenses related to the condominium (please see *Agreements with Directors and Executive Officers* for further information regarding the additional compensation payments), offset by an increase of $7,000 in personnel expenses primarily related to payroll, an increase of $29,000 as we incurred additional occupancy costs as a result of staffing increases, $17,000 of increased travel expense related to our revenue growth, $10,000 of increased office expense to support additional staff and $13,000 for increased legal and accounting services, also related to our revenue growth.

Depreciation and amortization expense: The $21,000 increase in depreciation and amortization expense for the year ended December 31, 2011, as compared to the year ended December 31, 2010 was due to a $21,000 increase in amortization expense for additions to capitalized software related to updates and enhancements to our technology platforms.

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Other Expenses and Income

Interest and other income: Interest and other income for the year ended December 31, 2011 increased $137, or 0.8%, to $17,540, as compared to $17,403 for the year ended December 31, 2010. The change was attributable to a decrease in interest income of approximately $14,000 on our cash balances due to lower interest rates and lower balances on our interest bearing accounts offset by an increase in dividend income of $13,000 on our marketable securities and cash equivalents.

Interest expense: The decrease in interest expense of $1,000, or 0.7%, to $170,452 for the year ended December 31, 2011, compared to $171,685 for the year ended December 31, 2010, was attributable to a reduction in the accrued interest balance of the note payable to one of the note holders. Interest expense includes the amortization of a discount of $66,259 and $62,376 at December 31, 2011 and 2010, respectively, for the note pursuant to which we made a principal reduction payment. Payments on the notes were $192,000 for the years ended of December 31, 2011 and 2010.

Critical Accounting Policies and Estimates

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

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

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

Accounts Receivable

Our policy is to reserve for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. We periodically reviews 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.

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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 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.

Pursuant to recent authoritative accounting guidance, we elect to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. We are not required to calculate the fair value of a reporting unit unless we determine that it is more likely than not that its fair value is less than its carrying amount. If we determine that it is more likely than not that its fair value is less than its carrying amount, then we will perform the two-step goodwill 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 Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 350-40 Internal-Use Software, 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.

Included in capitalized software at September 30, 2012 are internal personnel costs and external costs which were properly capitalized in accordance with SoP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* and/or FASB Statement No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed.*

We update our technology platform continuously, with new releases occurring approximately every 3 4 days. The majority of the costs incurred to create these updates are personnel costs for which we have a dedicated team of employees. A portion of the salaries & benefits for these employees are the costs that are capitalized. We continuously document all changes and enhancements made to our software platforms, track the internal hours incurred to complete such changes and enhancements and capitalize changes and enhancements that meet the criteria under SoP 98-1 or FASB Statement No. 86.

From time to time, we incur significant consulting costs and/or costs for materials that are related to major site enhancements or platform upgrades. These costs are typically 50% to 80% of our total new annual capitalized software costs. Consulting costs are also capitalized in accordance with the above pronouncements.

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Revenue Recognition

Our principal sources of revenue are recruitment revenue and consumer marketing and consumer advertising revenue. Our recruitment revenue is derived from our strategic partnership agreement with Monster Worldwide.

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.

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

Fair Value Measurement

U.S. GAAP establishes a hierarchal disclosure framework which ranks the observability of inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instruments and their specific characteristics. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

The three-level hierarchy for fair value measurement is defined as follows:

Level I inputs to the valuation methodology are quoted prices available in active markets for identical instruments as of the reporting date. The type of financial instruments included in Level I include unrestricted securities, including equities and derivatives, listed in active markets. We do not adjust the quoted price for these instruments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.

Level II inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. The type of financial instruments in this category includes less liquid and restricted securities listed in active markets, securities traded in other than active markets, government and agency securities, and certain over-the-counter derivatives where the fair value is based on observable inputs.

Level III inputs to the valuation methodology are unobservable and significant to overall fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in this category include investments in privately-held entities, non-investment grade residual interests in securitizations, collateralized loan obligations, and certain over-the-counter derivatives where the fair value is based on unobservable inputs. Investments in fund of funds are generally included in this category.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to any of our fair value measurements requires judgment and considers factors specific to each relevant investment where the fair value is based on unobservable inputs.

Income Taxes

Prior to reorganization, the company was a limited liability company that elected to be taxed as a partnership. As such the company s income or loss is required to be reported by each respective member on its separate income

tax returns. Therefore, no provision for income taxes has been provided in the accompanying financial statements. In accounting for uncertainty in income taxes, we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The company recognizes interest and penalties on any unrecognized tax benefits as a component of income tax expense. Based on an evaluation of the company s tax positions, management believes all positions taken would be upheld under an examination.

Liquidity and Capital Resources

The following table summarizes our liquidity and capital resources as of and for each of the nine months ended September 30, 2012 and September 30, 2011 and years ended December 31, 2011 and 2010, respectively, and is intended to supplement the more detailed discussion that follows:

Liquidity and Capital Resources	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010
	(in thousands)		(in thousands)	
Cash and cash equivalents	$ 1,898	$ 1,595	$ 2,254	$ 913
Short-term investments	254	481	375	753
Working capital	3,563	3,342	3,829	2,714

Our principal sources of liquidity are our cash and cash equivalents, marketable securities and cash generated from operations. Our payment terms for our two primary customers are 45 and 60 days, respectively. Average days to pay are 57 and 75 days, respectively. We consider the difference between the payment terms and payment receipts a result of transit time for invoice and payment processing and to date have not experienced any liquidity issues as a result of the payments extending past the specified terms. Cash and cash equivalents and short term investments consist primarily of cash on deposit with banks and investments in money market funds, corporate and municipal debt and U.S. government and U.S. government agency securities.

The non-renewal of our agreement with Monster Worldwide will have a material impact on revenue and cash flow. Under our agreement with Monster Worldwide, we have agreed to provide limited support and access to data to permit Monster Worldwide to continue to meet certain obligations to its customers in 2013. With respect to job postings that Monster sold prior to the expiration of our agreement on December 31, 2012, we are permitting Monster to maintain such postings on our websites until the earlier of (a) the date that Monster Worldwide s obligation to maintain such posting expires or (b) December 31, 2013. In addition, we will continue to provide Monster with access to our data until December 31, 2013. We expect to incur only de minimis additional labor and de minimis additional costs, and will not receive any additional payments from Monster Worldwide subsequent to the expiration of our agreement. Additionally, as of January 1, 2013, we will be permitted to sell our products and services directly to employers, except for those identified as restricted to LinkedIn.

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.

Cash Flow Data	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Year Ended December 31 2011	Year Ended December 31 2010
	(in thousands)		(in thousands)	
Cash provided by (used in):				
Operating activities	$ 2,025	$ 2,161	$ 2,852	$ 1,655
Investment activities	18	143	262	29
Financing activities	(2,399)	(1,621)	(1,772)	(1,914)
Net increase (decrease) in cash and cash equivalents	$ (356)	$ 683	$ 1,342	$ (230)

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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.

Restricted Cash In connection with an operating lease agreement, the company was required to maintain a certificate of deposit in a restricted account in the amount of $45,288 at September 30, 2011. The certificate matured in October, 2011. Restricted cash held as security under this arrangement amounted to $0 at September 30, 2012.

In connection with an operating lease agreement, the company was required to maintain a certificate of deposit in a restricted account in the amount of $45,288 at December 31, 2010. The certificate matured in 2011. Restricted cash held as security under this arrangement amounted to $0 and $45,288 at December 31, 2011 and December 31, 2010, respectively.

Net Cash Provided by Operating Activities

Net cash provided by operating activities during the nine months ended September 30, 2012 was $2,024,935, primarily due to our increased revenue and increase in operating performance. The cash flow provided from operations in the nine months ended September 30, 2012 was due to changes in our assets and liabilities consisting of an increase in accounts receivable of $120,906, a decrease in deferred revenue of $150,000, an increase in prepaid expenses of $31,823 and an increase in accounts payable and accrued expenses of $45,211. Accounts receivable increased approximately 4.5% in the nine months ended September 30, 2012 while our revenue grew 13.7%. The increase in accounts receivable was primarily due to increased revenue related to our June 11, 2012 insertion order from Apollo Group, the increase in prepaid expenses consisted of prepaid business and health insurance while the increase in accounts payable and accrued expenses of $45,211 consists of an increase of approximately $55,000 related to accrued public offering costs and a decrease of approximately $10,000 related to operating expenses. We had net income in the nine months ended September 30, 2012 of $2,013,070 which included non-cash depreciation and amortization of $84,822 and non-cash interest and accretion added to our notes payable of $129,939 and $49,462 of bad debt expense.

Net cash provided by operating activities for the nine months ended September 30, 2011 was $2,160,945, primarily due to our increased revenue. The cash flow provided by operating activities in the nine months ended September 30, 2011 was primarily a result of changes to our assets and liabilities consisting of an increase in accounts receivable of $242,879, a decrease in prepaid expenses of $5,882 and a decrease in accounts payable and accrued expenses of $20,242. The increase in accounts receivable was due to receivables related to additional revenue from our Apollo agreements entered into in 2011, the decrease in prepaid expense consists of prepaid rent at December 31, 2010 and the increase in accounts payable and accrued expenses is a result of timing of payments related to the growth of our business activities. In the nine months ended September 30, 2011 we had net income of $2,154,697 which included non-cash expenses for depreciation and amortization of $81,134, a net loss in the value of investments of $14,327 and non-cash interest and accretion added to our notes payable of $127,542.

Net cash provided by operating activities during the year ended December 31, 2011 was $2,851,921, which primarily resulted from our increased revenue. The cash flow from operations provided in 2011 was primarily due to changes in our assets and liabilities consisting of an increase in accounts receivable of $478,000, partially offset by an increase in deferred revenue of $150,000, an increase in other assets of $5,882 and an increase in accounts payable of $126,281. Accounts receivable, adjusted for deferred revenue in accounts receivable, increased approximately 20% in 2011 while our revenue grew 27%. The increase in accounts receivable and deferred revenue was due to our revenue growth in 2011 as compared to 2010. We had net income in 2011 of $2,745,652 which included non-cash depreciation and amortization of $108,592, a non-cash net loss on the sale of investments of $32,588 and non-cash interest and accretion added to our notes payable of $170,452.

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Net cash provided by operating activities in the year ended December 31, 2010 was $1,655,603, which primarily resulted from our increased revenue. The cash flow from operating activities in 2010 was primarily a result of changes to our assets and liabilities consisting of an increase in accounts receivable of $459,803 and a decrease in accounts payable and accrued expenses of $30,411. The increase in accounts receivable was due to our revenue growth in 2010 over 2009 and a decrease in accounts payable and accrued expenses as a result of timing of payments related to the growth of our business activities. In 2010 we had net income of $1,865,307 which included non-cash expenses for depreciation and amortization of $88,030, a non-cash gain on the sale of investments of $308 and non-cash interest and accretion added to our notes payable of $171,686.

Net Cash Provided by Investment Activities

Net cash provided by investing activities for the nine months ended September 30, 2012 was $18,204. The cash provided by investing activities consisted of $150,796 in proceeds from the sale of investments offset by $132,592 invested in developed technology as we incurred costs to update and enhance our websites.

Net cash provided by investing activities for the nine months ended September 30, 2011 was $142,582. Cash provided by investing activities included $225,154 of net proceeds from marketable securities investments offset by $73,492 invested in developed technology and $9,080 for purchases of computer hardware.

Net cash provided by investment activities for the year ended December 31, 2011 was $262,061. The cash provided by investment activities consisted of an increase of $325,155 in the net proceeds from our investments in marketable securities and the release of restricted cash related to our operating lease of $45,288, offset by an increased investment of $92,658 in developed technology as we incurred increased costs to update and enhance our websites and $15,724 for purchases of computer hardware.

Net cash provided by investment activities for the year ended December 31, 2010 was $28,654. Cash provided by investment activities included $138,320 in net proceeds from the sale and purchase of marketable securities offset by $100,277 invested in developed technology and $9,389 for purchases of computer hardware.

Net Cash Used in Financing Activities

Net cash used in financing activities was $2,399,130 for the nine months ended September 30, 2012. The cash used in financing activities consisted of $1,650,000 in distributions to members of the company, $144,000 in payments on our notes payable to founding members of the company and $605,130 of our public offering costs, which were deferred.

Net cash used in financing activities for the nine months ended September 30, 2011 was $1,621,010 and consisted of $1,465,010 in distributions to the members of the company, $144,000 of payments on our notes payable to founding members of the company and $12,000 of deferred public offering costs.

Net cash used in financing activities was $1,772,192 for the year ended December 31, 2011. The cash us