

NEWELL RUBBERMAID INC

Form S-4/A

March 04, 2016

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As filed with the Securities and Exchange Commission on March 4, 2016

Registration No. 333-208989

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

AMENDMENT NO. 2
TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NEWELL RUBBERMAID INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of	3089 (Primary Standard Industrial	36-3514169 (I.R.S. Employer
Incorporation or Organization)	Classification Code Number)	Identification Number)

Three Glenlake Parkway
Atlanta, Georgia 30328
(770) 418-7000
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Bradford R. Turner, Esq.
Senior Vice President, General Counsel
and Corporate Secretary
Newell Rubbermaid Inc.
Three Glenlake Parkway
Atlanta, Georgia 30328
(770) 418-7000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

Robert A. Profusek, Esq.

Lizanne Thomas, Esq.

Joel T. May, Esq.

Jones Day

1420 Peachtree Street

John E. Capps, Esq.

**Executive Vice
President Administration, General
Counsel and Secretary**

Jarden Corporation

1800 North Military Trail

Clifford E. Neimeth, Esq.

Alan I. Annex, Esq.

Gary R. Silverman, Esq.

Greenberg Traurig, LLP

MetLife Building

Atlanta, Georgia 30309

Boca Raton, Florida 33431

200 Park Avenue

(404) 521-3939

(561) 447-2520

New York, New York 10166

(212) 801-9200

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement is declared effective and upon the satisfaction or waiver of all other conditions to consummation of the merger transactions described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

Large accelerated filer

Accelerated filer "

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company "

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) "

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) "

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this joint proxy statement/prospectus is subject to completion and amendment. A registration statement relating to the securities described in this joint proxy statement/prospectus has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This joint proxy statement/prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration under the securities laws of any such jurisdiction.

PRELIMINARY SUBJECT TO COMPLETION DATED MARCH 4, 2016

MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT

Dear Newell Rubbermaid Inc. and Jarden Corporation Stockholders:

On behalf of the boards of directors of Newell Rubbermaid Inc., referred to as Newell Rubbermaid, and Jarden Corporation, referred to as Jarden, we are pleased to enclose the accompanying joint proxy statement/prospectus. As described in more detail in the accompanying joint proxy statement/prospectus, pursuant to an Agreement and Plan of Merger, dated as of December 13, 2015, referred to as the merger agreement, Newell Rubbermaid will acquire Jarden and Jarden will cease to be a public company. In the merger transactions, Jarden stockholders will receive, in exchange for each share of Jarden common stock owned by them immediately prior to such merger transactions, (1) 0.862 of a share of Newell Rubbermaid common stock *plus* (2) \$21.00 in cash. The Newell Rubbermaid stock to be issued, together with the cash to be paid, for Jarden common stock in the merger transactions, is referred to as the merger consideration.

Based on Newell Rubbermaid's closing stock price on March [], 2016 the most recent practicable date for which such information was available, the merger consideration represented approximately \$[] in value per share of Jarden common stock, which represents a premium of approximately []% over Jarden's closing stock price on December 11, 2015, the last trading day before the public announcement of the combination.

The value of the merger consideration will fluctuate based on the market price of Newell Rubbermaid common stock until the completion of the first merger. Shares of Newell Rubbermaid common stock and shares of Jarden common stock are traded on the New York Stock Exchange, referred to as NYSE, under the symbols *NWL* and *JAH*, respectively. We urge you to obtain current market quotations for the shares of Newell Rubbermaid common stock and Jarden common stock.

Based on the number of shares of Newell Rubbermaid common stock and Jarden common stock expected to be outstanding immediately prior to the closing of the merger transactions, Newell Rubbermaid expects to issue approximately 223.8 million shares of Newell Rubbermaid common stock (including shares of Newell Rubbermaid common stock issuable in connection with outstanding Jarden stock options and restricted stock awards, and shares to be issued in connection with the assumed conversion of outstanding Jarden convertible debt). The issuance is expected to result in former Jarden stockholders owning approximately 46% of the outstanding Newell Rubbermaid common

stock and Newell Rubbermaid stockholders immediately prior to the completion of the merger transactions owning approximately 54% of the outstanding Newell Rubbermaid common stock.

Each of Newell Rubbermaid and Jarden will hold a meeting of its stockholders to vote on certain matters in connection with the merger transactions and, in the case of Newell Rubbermaid, to vote on the election of Newell Rubbermaid directors and other annual meeting matters. Attendance at the meetings will be limited as more fully described in the accompanying joint proxy statement/prospectus. Newell Rubbermaid stockholders are cordially invited to attend the annual meeting of Newell Rubbermaid stockholders. The Newell Rubbermaid annual meeting will be held on April [], 2016, at [], local time, at []. Jarden stockholders are cordially invited to attend the special meeting of Jarden stockholders. The Jarden special meeting will be held on April [], 2016, at [], local time, at [].

The merger transactions are intended to constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, for U.S. federal income tax purposes and may be treated similarly under state, local and non-U.S. income and other tax laws. We encourage Jarden stockholders to carefully review the information under *Newell Rubbermaid Proposal I: Approval of the Share Issuance and Jarden Proposal I: Adoption of the Merger Agreement* *Material U.S. Federal Income Tax Consequences of the Merger Transactions* beginning on page [] of this joint proxy statement/prospectus for a description of certain U.S. federal income tax consequences of the merger transactions.

We cannot complete the merger transactions unless the stockholders of Newell Rubbermaid affirmatively approve the issuance of shares of Newell Rubbermaid common stock pursuant to the merger agreement and the stockholders of Jarden adopt the merger agreement, in both cases as described in the accompanying joint proxy statement/prospectus. **It is important that your shares be represented and voted regardless of how many shares of Newell Rubbermaid common stock or shares of Jarden common stock you may own. Whether or not you plan to attend the Newell Rubbermaid annual meeting or the Jarden special meeting, we urge you to submit a proxy to have your shares voted in advance of the applicable meeting by using one of the proxy voting methods described in the accompanying joint proxy statement/prospectus.**

The Newell Rubbermaid board recommends that Newell Rubbermaid stockholders vote FOR the proposal to approve the issuance of shares of Newell Rubbermaid common stock pursuant to the merger agreement, FOR the election of each of the nine director nominees to the Newell Rubbermaid board, FOR the advisory resolution to approve Newell Rubbermaid's executive compensation and FOR each of the other proposals to be voted on at the Newell Rubbermaid annual meeting, as described in more detail in the accompanying joint proxy statement/prospectus. The Jarden board recommends that Jarden stockholders vote FOR the proposal to adopt the merger agreement and FOR each of the other proposals to be voted on at the Jarden special meeting, as described in more detail in the accompanying joint proxy statement/prospectus.

The accompanying joint proxy statement/prospectus provides important information regarding the Newell Rubbermaid annual meeting and the Jarden special meeting and a detailed description of the merger agreement, the merger transactions and the other transactions contemplated thereby, and the matters to be presented at the Newell Rubbermaid annual meeting and the Jarden special meeting. **We urge you to read the accompanying joint proxy statement/prospectus (and any documents incorporated by reference into the accompanying joint proxy statement/prospectus) carefully and in its entirety. Please pay particular attention to Risk Factors beginning on page [] of the accompanying joint proxy statement/prospectus.**

We hope to see you at the stockholder meetings and look forward to the successful completion of the merger transactions.

Sincerely,

Michael B. Polk
President and Chief Executive Officer
Newell Rubbermaid Inc.

Martin E. Franklin
Executive Chairman
Jarden Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger transactions described in the accompanying joint proxy statement/prospectus or determined that the accompanying joint proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The accompanying joint proxy statement/prospectus is dated March [], 2016 and is first being mailed to Newell Rubbermaid and Jarden stockholders on or about March [], 2016.

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NEWELL RUBBERMAID INC.

Three Glenlake Parkway

Atlanta, Georgia 30328

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be Held on April [], 2016

To the Stockholders of NEWELL RUBBERMAID INC.:

You are cordially invited to attend the annual meeting of stockholders of NEWELL RUBBERMAID INC., a Delaware corporation, referred to as Newell Rubbermaid, to be held on April [], 2016 at [], local time at [].

At the annual meeting, you will be asked to:

approve the issuance of shares of Newell Rubbermaid common stock to stockholders of Jarden Corporation, referred to as Jarden, pursuant to the Agreement and Plan of Merger, dated as of December 13, 2015, as it may be amended from time to time, referred to as the merger agreement, by and among Newell Rubbermaid, Jarden, NCPF Acquisition Corp. I, a Delaware corporation and wholly-owned subsidiary of Newell Rubbermaid, and NCPF Acquisition Corp. II, a Delaware corporation and wholly-owned subsidiary of Newell Rubbermaid, a copy of which is attached as *Annex A* to the accompanying joint proxy statement/prospectus, which proposal is referred to as the share issuance;

approve a proposal to adjourn the Newell Rubbermaid annual meeting, if necessary or appropriate, to solicit additional proxies if, immediately prior to such adjournment, sufficient votes to approve the share issuance have not been obtained by Newell Rubbermaid, which proposal is referred to as the Newell Rubbermaid adjournment proposal;

vote for the nine director nominees to the Newell Rubbermaid board; and

vote for an advisory resolution to approve Newell Rubbermaid's executive compensation.

Newell Rubbermaid will transact no other business at the annual meeting except such business as may properly be brought before the Newell Rubbermaid annual meeting or any adjournment or postponement thereof. Please refer to the accompanying joint proxy statement/prospectus for further information with respect to the business to be

transacted at the annual meeting.

The Newell Rubbermaid board of directors has fixed the close of business on March 1, 2016 as the record date for the annual meeting. Only holders of record of Newell Rubbermaid common stock as of the record date are entitled to notice of, and to vote at, the Newell Rubbermaid annual meeting or any adjournment or postponement thereof.

Completion of the merger transactions contemplated by the merger agreement is conditioned on, among other things, approval of the share issuance and is not conditioned on any of the other proposals listed above.

Nominees receiving a majority of votes cast with respect to that individual's election (number of shares voted **FOR** a director exceeds the number of shares voted against that director) will be elected as a director. Approval of the share issuance, approval of the Newell Rubbermaid adjournment proposal and approval of the advisory resolution to approve the compensation of Newell Rubbermaid's named executive officers each require the affirmative vote of a majority of the shares of Newell Rubbermaid common stock present in person or by proxy at the Newell Rubbermaid annual meeting and entitled to vote thereon.

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The Newell Rubbermaid board of directors recommends that Newell Rubbermaid stockholders vote FOR the share issuance, FOR the Newell Rubbermaid adjournment proposal, FOR the election of each of the nine director nominees to the Newell Rubbermaid board and FOR the advisory resolution to approve Newell Rubbermaid's executive compensation.

Your vote is very important. Whether or not you plan to attend the Newell Rubbermaid annual meeting, please act promptly to submit a proxy to vote your shares with respect to the proposals described above. You may submit a proxy to vote your shares by completing, signing and dating the enclosed white proxy card and returning it in the postage-paid envelope provided. You also may submit a proxy to vote your shares by telephone or through the Internet by following the instructions set forth on the white proxy card. If you attend the Newell Rubbermaid annual meeting, you may vote your shares in person, even if you have previously submitted a proxy in writing, by telephone or through the Internet. If your shares are held in the name of a nominee or intermediary, please follow the instructions on the voting instruction card furnished by such record holder. For participants in Newell Rubbermaid's 401(k) Savings and Retirement Plan, the white proxy card will serve as voting instructions for the trustee of the Newell Rubbermaid 401(k) Savings and Retirement Plan.

We urge you to read the accompanying joint proxy statement/prospectus, including all documents incorporated by reference into the accompanying joint proxy statement/prospectus, and its annexes carefully and in their entirety. In particular, see *Risk Factors* beginning on page [] of the accompanying joint proxy statement/prospectus. If you have any questions concerning the merger agreement, the first merger or the other transactions contemplated thereby, the share issuance, the election of directors, the vote on the advisory resolution to approve Newell Rubbermaid's executive compensation, the annual meeting or the accompanying joint proxy statement/prospectus, would like additional copies of the accompanying joint proxy statement/prospectus or need help submitting a proxy to have your shares of Newell Rubbermaid common stock voted, please contact Newell Rubbermaid's proxy solicitor:

Morrow & Co., LLC

470 West Avenue

Stamford, Connecticut

Telephone Toll-Free: (877) 827-0538

By Order of the Board of Directors,

Bradford R. Turner

Senior Vice President, General Counsel and

Corporate Secretary

March [], 2016

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on April [], 2016 the Newell Rubbermaid Proxy Statement and the Newell Rubbermaid 2015 Annual Report to Stockholders are available at WWW.PROXYVOTE.COM

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JARDEN CORPORATION

1800 North Military Trail

Boca Raton, Florida 33431

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To be Held April [], 2016

To the Stockholders of Jarden Corporation:

You are cordially invited to attend the special meeting of stockholders of Jarden Corporation, a Delaware corporation, referred to as Jarden, to be held April [], 2016 at [], local time at [].

At the special meeting, you will be asked to:

adopt the Agreement and Plan of Merger, dated as of December 13, 2015, as it may be amended from time to time, referred to as the merger agreement (a copy of which is attached as *Annex A* to the accompanying joint proxy statement/prospectus), by and among Newell Rubbermaid, Jarden, NCPF Acquisition Corp. I, a Delaware corporation and wholly-owned subsidiary of Newell Rubbermaid, referred to as Merger Sub 1, and NCPF Acquisition Corp. II, a Delaware corporation and wholly-owned subsidiary of Newell Rubbermaid, referred to as Merger Sub 2, pursuant to which (1) Merger Sub 1 will be merged with and into Jarden, with Jarden surviving as a wholly-owned subsidiary of Newell Rubbermaid, and immediately thereafter, (2) Jarden will be merged with and into Merger Sub 2, with Merger Sub 2 continuing as the surviving corporation in the subsequent merger and a wholly-owned subsidiary of Newell Rubbermaid;

approve, on a non-binding, advisory basis, the compensation payments that will or may be paid by Jarden to its named executive officers in connection with the first merger, referred to as the merger-related compensation proposal; and

approve a proposal to adjourn the Jarden special meeting, if necessary or appropriate, to solicit additional proxies if, immediately prior to such adjournment, sufficient votes to adopt the merger agreement have not been obtained by Jarden, referred to as the Jarden adjournment proposal.

Jarden will transact no other business at the Jarden special meeting except such business as may properly be brought before the Jarden special meeting or any adjournment or postponement thereof. Please refer to the accompanying joint proxy statement/prospectus for further information with respect to the business to be transacted at the Jarden special

meeting.

The Jarden board of directors has fixed the close of business on March 1, 2016 as the record date for the Jarden special meeting. Only holders of record of Jarden common stock as of the record date are entitled to notice of, and to vote at, the Jarden special meeting or any adjournment or postponement thereof. Completion of the merger transactions contemplated by the merger agreement is conditioned on, among other things, adoption of the merger agreement.

Adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares of Jarden common stock as of the record date. Approval of the merger-related compensation proposal and approval of the Jarden adjournment proposal each requires the affirmative vote of a majority of the shares of Jarden common stock present in person or by proxy at the Jarden special meeting and entitled to vote thereon.

The Jarden board recommends that Jarden stockholders vote FOR the adoption of the merger agreement, FOR the merger-related compensation proposal and FOR the Jarden adjournment proposal.

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Your vote is very important. Whether or not you plan to attend the Jarden special meeting, please act promptly to submit a proxy to vote your shares with respect to the proposals described above. You may submit a proxy to vote your shares by completing, signing and dating the enclosed gold proxy card and returning it in the postage-paid envelope provided. You also may submit a proxy to vote your shares by telephone or through the Internet by following the instructions set forth on the gold proxy card. If you attend the Jarden special meeting, you may vote your shares in person, even if you have previously submitted a proxy in writing, by telephone or through the Internet. If your shares are held in the name of a nominee or intermediary, please follow the instructions on the voting instruction card furnished by such record holder.

We urge you to read the accompanying joint proxy statement/prospectus, including all documents incorporated by reference into the accompanying joint proxy statement/prospectus, and its annexes carefully and in their entirety. In particular, see *Risk Factors* beginning on page [] of the accompanying joint proxy statement/prospectus. If you have any questions concerning the merger agreement, the first merger or the other transactions contemplated thereby, the merger-related compensation proposal, the Jarden special meeting or the accompanying joint proxy statement/prospectus, would like additional copies of the accompanying joint proxy statement/prospectus or need help submitting a proxy to have your shares of Jarden common stock voted, please contact Jarden's proxy solicitor:

Georgeson Inc.

480 Washington Blvd., 26th Floor

Jersey City, New Jersey 07310

Email: jarden@georgeson.com

Telephone Toll-Free: 888-624-7035

By Order of the Board of Directors,

Martin E. Franklin

Executive Chairman

March [], 2016

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ADDITIONAL INFORMATION

The accompanying document is the proxy statement of Newell Rubbermaid for its annual meeting of stockholders, the proxy statement of Jarden for its special meeting of stockholders and the prospectus of Newell Rubbermaid relating to the offer and sale its common stock to be issued to Jarden stockholders in the first merger. The accompanying joint proxy statement/prospectus incorporates important business and financial information about Newell Rubbermaid and Jarden from documents that are not included in or delivered with the accompanying joint proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain documents incorporated by reference into the accompanying joint proxy statement/prospectus by requesting them in writing, via email or by telephone from Newell Rubbermaid or Jarden at the following addresses and telephone numbers:

Newell Rubbermaid Inc.

Jarden Corporation

Three Glenlake Parkway

1800 North Military Trail

Atlanta, Georgia 30328

Boca Raton, Florida 33431

Attention: Office of Investor Relations

Attention: Investor Relations

Email: investor.relations@newellco.com

Email: investorrelations@jarden.com

Telephone: (770) 418-7000

Telephone: (203) 845-5300

In addition, if you have questions about the merger transactions or the accompanying joint proxy statement/prospectus, would like additional copies of the accompanying joint proxy statement/prospectus or need to obtain white or gold proxy cards, as applicable, or other information related to the proxy solicitation, please contact Morrow & Co., LLC, Newell Rubbermaid's proxy solicitor, toll-free at (877) 827-0538 or Georgeson Inc., Jarden's proxy solicitor, toll-free at 888-624-7035. You will not be charged for any of these documents that you request.

If you would like to request any documents, please do so by April [], 2016 to receive them before the Newell Rubbermaid annual meeting and the Jarden special meeting.

See *Where You Can Find More Information* beginning on page [] of the accompanying joint proxy statement/prospectus for further information.

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ABOUT THIS JOINT PROXY STATEMENT/PROSPECTUS

This joint proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed by Newell Rubbermaid with the U.S. Securities and Exchange Commission, constitutes a prospectus of Newell Rubbermaid under Section 5 of the Securities Act of 1933 with respect to the shares of Newell Rubbermaid common stock to be issued to Jarden stockholders pursuant to the merger agreement. This joint proxy statement/prospectus also constitutes a proxy statement for each of Newell Rubbermaid and Jarden under Section 14(a) of the Securities Exchange Act of 1934. In addition, it constitutes a notice of meeting with respect to the annual meeting of Newell Rubbermaid stockholders and a notice of meeting with respect to the special meeting of Jarden stockholders.

You should rely only on the information contained in or incorporated by reference into this joint proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated March [], 2016. You should not assume that the information contained in this joint proxy statement/prospectus is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this joint proxy statement/prospectus is accurate as of any date other than the date of such information. Neither the mailing of this joint proxy statement/prospectus to Newell Rubbermaid stockholders or Jarden stockholders nor the issuance by Newell Rubbermaid of shares of Newell Rubbermaid common stock pursuant to the merger agreement will create any implication to the contrary.

This joint proxy statement/prospectus shall not constitute an offer to sell, or the solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation. Information contained in this joint proxy statement/prospectus regarding Newell Rubbermaid has been provided by Newell Rubbermaid and information contained in this joint proxy statement/prospectus regarding Jarden has been provided by Jarden.

Unless otherwise indicated or as the context otherwise requires, all references in this joint proxy statement/prospectus to:

alternative financing refer to financing from alternative sources in an amount, when taken together with all other sources and the bridge commitment letter, is sufficient to complete the merger transactions on terms and conditions not materially less favorable to Newell Rubbermaid than the terms and conditions set forth in the bridge commitment letter;

Barclays refer to Barclays Capital Inc.;

bridge commitment letter refer to the Commitment Letter, dated December 13, 2015, by and among Newell Rubbermaid and the Goldman Lenders, relating to the commitment to provide the bridge credit facility (as amended, amended and restated, supplemented or otherwise modified from time to time);

bridge credit facility refer to the credit facility to be entered into pursuant to the bridge commitment letter;

Centerview refer to Centerview Partners LLC;

Code refer to the Internal Revenue Code of 1986, as amended;

combined company refer to Newell Brands after the merger transactions;

Décor refer to Newell Rubbermaid's Levolor and Kirsch branded window coverings business;

debt rating failure refer to at any time prior to the effective time of the first merger, there exists a state of facts, development or circumstance under which the only alternative financing (irrespective of whether such alternative financing is on terms and conditions materially less favorable, taken as a whole, than the financing arrangements contemplated by the bridge commitment letter) Newell Rubbermaid is able to obtain to finance its payment obligations under the merger agreement is alternative financing that has not been, or as to which Newell Rubbermaid has been notified in writing will not be, assigned by any two of the three rating agencies a credit rating of (x) BBB- or higher in the case of S&P, (y) BB- or higher in the case of Fitch or (z) Baa3 or higher in the case of Moody's;

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DGCL refer to the General Corporation Law of the State of Delaware;

dissenters' shares refer to shares of Jarden common stock that are issued and outstanding immediately prior to the effective time of the first merger that are held by any Jarden stockholder who is entitled to demand and who properly demands appraisal of such stockholder's shares pursuant to, and in compliance in all respects with, the provisions of Section 262 of the DGCL;

DOJ refer to the U.S. Department of Justice;

EBITDA refer to earnings before interest, income taxes, depreciation and amortization;

Exchange Act refer to the Securities Exchange Act of 1934;

exchange agent refer to Computershare Investor Services;

exchange ratio refer to 0.862;

FASB refer to the Financial Accounting Standards Board;

first merger refer to the merger of Merger Sub 1 with and into Jarden, with Jarden surviving such merger as a wholly-owned subsidiary of Newell Rubbermaid;

Fitch refer to Fitch Ratings Inc.;

fractional share refer to a fractional share of Newell Rubbermaid common stock;

FTC refer to the U.S. Federal Trade Commission;

GAAP refer to U.S. Generally Accepted Accounting Principles;

Goldman Sachs refer to Goldman, Sachs & Co.;

Goldman Lenders refer to Goldman Sachs Bank USA and Goldman Sachs Lending Partners LLC, and any other lenders party to the bridge commitment letter;

Greenberg Traurig refer to Greenberg Traurig, LLP, counsel to Jarden;

HSR Act refer to the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

IRS refer to the Internal Revenue Service;

Jarden refer to Jarden Corporation, a Delaware corporation;

Jarden adjournment proposal refer to the proposal to approve the adjournment of the Jarden special meeting, if necessary or appropriate, to solicit additional proxies if, immediately prior to such adjournment, sufficient votes to adopt the merger agreement have not been obtained by Jarden;

Jarden board refer to the board of directors of Jarden;

Jarden bylaws refer to the Third Amended and Restated Bylaws of Jarden, amended and effective as of December 13, 2015;

Jarden certificate of incorporation refer to the Restated Certificate of Incorporation of Jarden, amended and effective as of June 5, 2015;

Jarden common stock refer to Jarden common stock, par value \$0.01 per share;

Jarden convertible notes refer to the (1) 1 7/8% senior subordinated convertible notes of Jarden due 2018, (2) 1 1/2% senior subordinated convertible notes of Jarden due 2019, and (3) 1 1/8% senior subordinated convertible notes of Jarden due 2034;

Jarden ESPP refer to the Jarden 2013 Employee Stock Purchase Plan;

Jarden Projections refer to the information provided under *Newell Rubbermaid Proposal I: Approval of the Share Issuance and Jarden Proposal I: Adoption of the Merger Agreement Jarden Unaudited Prospective Financial Information*;

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Jarden record date refer to March 1, 2016, the date which holders of Jarden common stock must be holders of record in order to receive notice of, and to vote at, the Jarden special meeting;

Jarden senior notes refer to the (1) 3 3/4% senior notes of Jarden due 2021, (2) 5% senior notes of Jarden due 2023 and (3) 6 1/8% senior notes of Jarden due 2022;

Jarden subordinated notes refer to the 7 1/2% senior subordinated notes of Jarden due 2017;

Jones Day refer to Jones Day, counsel to Newell Rubbermaid;

Jostens refer to Jostens, Inc. and other entities comprising the Jostens business;

merger agreement refer to the Agreement and Plan of Merger, dated as of December 13, 2015, as it may be amended from time to time, among Jarden, Newell Rubbermaid, Merger Sub 1 and Merger Sub 2, a copy of which is attached as *Annex A* to this joint proxy statement/prospectus and incorporated by reference herein;

merger consideration refer to the consideration payable in the first merger by Newell Rubbermaid to Jarden stockholders in respect of each share of Jarden common stock outstanding immediately prior to the effective time of the first merger (other than dissenters' shares or treasury shares held by Jarden and any shares of Jarden common stock owned by any Jarden subsidiary, Newell Rubbermaid or Newell Rubbermaid subsidiary) consisting of:

0.862 of a fully paid and nonassessable share of Newell Rubbermaid common stock, *plus*

\$21.00 in cash, without interest;

merger-related compensation proposal refer to the proposal to approve, on a non-binding, advisory basis, the compensation payments that will or may be paid by Jarden to its named executive officers in connection with the first merger;

merger transactions refer, together, to the first merger and subsequent merger, together with the change in Newell Rubbermaid's corporate name to Newell Brands;

Merger Sub 1 refer to NCPF Acquisition Corp. I, a Delaware corporation and wholly-owned subsidiary of Newell Rubbermaid formed for the sole purpose of effecting the first merger;

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Merger Sub 2 refer to NCPF Acquisition Corp. II, a Delaware corporation and wholly-owned subsidiary of Newell Rubbermaid formed for the sole purpose of effecting the subsequent merger;

Merger Subs refer, together, to Merger Sub 1 and Merger Sub 2;

Moody's refer to Moody's Investor Service Inc.;

Newell Brands refer to Newell Brands Inc., the name of the combined company after the effective time of the subsequent merger and giving effect to Newell Rubbermaid's name change;

Newell Rubbermaid refer to Newell Rubbermaid, a Delaware corporation;

Newell Rubbermaid adjournment proposal refer to the proposal to approve the adjournment of the Newell Rubbermaid annual meeting, if necessary or appropriate, to solicit additional proxies if, immediately prior to such adjournment, sufficient votes to approve the share issuance have not been obtained by Newell Rubbermaid;

Newell Rubbermaid board refer to the board of directors of Newell Rubbermaid;

Newell Rubbermaid certificate of incorporation refer to the Restated Certificate of Incorporation of Newell Rubbermaid, as amended through May 9, 2012;

Newell Rubbermaid bylaws refer to the By-Laws of Newell Rubbermaid Inc., amended and effective as of February 11, 2016;

Newell Rubbermaid common stock refer to Newell Rubbermaid common stock, par value \$1.00 per share;

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Newell Rubbermaid record date refer to March 1, 2016, the date which holders of Newell Rubbermaid common stock must be holders of record in order to receive notice of, and to vote at, the Newell Rubbermaid annual meeting;

NYSE refer to the New York Stock Exchange;

outside date refer to July 31, 2016;

SEC refer to the U.S. Securities and Exchange Commission;

Securities Act refer to the Securities Act of 1933;

share issuance refer to the issuance in the first merger of Newell Rubbermaid common stock to Jarden stockholders in accordance with the terms and subject to the conditions set forth in the merger agreement;

S&P refer to Standard & Poor's Corporation;

subsequent merger refer to the merger of Jarden, as the surviving corporation in the first merger, with and into Merger Sub 2, with Merger Sub 2 continuing as the ultimate surviving corporation in such merger and being renamed Jarden Corporation ;

term loan facility refer to the term loan credit agreement, dated as of January 26, 2016, among Newell Rubbermaid, J.P. Morgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto; and

Waddington refer to Waddington Group, Inc.

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Revenues:				
Membership fees and related services	\$1,112,042	\$2,204,909	\$4,059,989	\$7,465,202

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Recruitment services	705,040	694,454	2,018,832	1,977,101
Product sales and other	3,180	18,285	13,197	91,226
Education and training	-	68,890	16,048	898,584
Consumer advertising and marketing solutions	74,360	65,188	218,637	189,217
Total revenues	1,894,622	3,051,726	6,326,703	10,621,330
Costs and expenses:				
Cost of revenues	291,685	357,481	917,429	1,213,669
Sales and marketing	977,148	1,598,530	3,093,798	5,759,849
General and administrative	1,786,408	2,711,640	6,202,087	9,564,428
Litigation settlement	342,472	155,216	342,472	155,216
Goodwill impairment charge	5,250,699	-	5,250,699	9,920,305
Depreciation and amortization	650,103	757,144	1,989,125	2,294,012
Total costs and expenses	9,298,515	5,580,011	17,795,610	28,907,479
Loss from operations	(7,403,893)	(2,528,285)	(11,468,907)	(18,286,149)
Other (expense) income				
Interest expense	29,549	-	29,549	(12,399)
Interest and other income	(4,368)	4,117	299	9,218
Other finance costs	-	5,318	22,558	7,082
Other income, net	25,181	9,435	52,406	3,901
Loss before income tax benefit	(7,378,712)	(2,518,850)	(11,416,501)	(18,282,248)
Income tax expense (benefit)	(189,950)	(201,123)	(562,415)	(1,126,220)
Loss from continuing operations	(7,188,762)	(2,317,727)	(10,854,086)	(17,156,028)
Loss from discontinued operations, net of tax, including gain on sale of \$63,687	(40,735)	(170,358)	(425,258)	(508,582)
Net loss	(7,229,497)	(2,488,085)	(11,279,344)	(17,664,610)
Other comprehensive loss:				
Foreign currency translation adjustment	(28,480)	(3,056)	(42,231)	(1,435)
Comprehensive loss	\$ (7,257,977)	\$ (2,491,141)	\$ (11,321,575)	\$ (17,666,045)
Basic and diluted loss per share:				
Continuing operations	(1.48)	(0.59)	(2.42)	(4.39)
Discontinued operations	(0.01)	(0.04)	(0.09)	(0.13)
Net loss	\$ (1.49)	\$ (0.63)	\$ (2.51)	\$ (4.52)
Weighted average shares used in computing net				
loss per common share:				
Basic and diluted	4,856,044	3,932,886	4,485,358	3,912,282

See Note 3 for Additional Variable Interest Entity Disclosures.

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

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

	Nine Months Ended	
	September 30,	2017
	2018	2017
Cash flows from operating activities:		
Loss from continuing operations	\$(10,854,086)	\$(17,156,028)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities– continuing operations:		
Depreciation and amortization	1,989,125	2,294,012
Deferred tax expense (benefit)	(374,536)	(1,098,765)
Goodwill impairment charge	5,250,699	9,920,305
Stock-based compensation expense	637,062	731,322
Provision for bad debt	20,000	28,544
Write-off of security deposit	149,292	-
Write-off of property and equipment	51,804	-
Changes in operating assets and liabilities, net of effects of discontinued operations:		
Accounts receivable	354,408	38,836
Prepaid expenses and other current assets	11,033	474,711
Incremental direct costs	124,134	181,788
Accounts payable	345,575	(971,728)
Accrued expenses	(332,578)	177,684
Deferred revenue	(1,553,245)	(1,062,884)
Deferred rent	(10,282)	8,591
Customer deposits	(32)	-
Other liabilities	(36,969)	45,322
Net cash used in operating activities– continuing operations	(4,228,596)	(6,388,290)
Net cash provided by (used in) operating activities – discontinued operations	17,793	(91,173)
Net cash used in operating activities	(4,210,803)	(6,479,463)
Cash flows from investing activities:		
Costs incurred to develop technology	(89,006)	(122,597)
Purchases of property and equipment	(7,206)	(156,704)
Security deposit	-	(18,305)
Net cash (used in) provided by investing activities– continuing operations	(96,213)	(297,606)
Net cash provided by investing activities – discontinued operations	200,000	-
Net cash provided by (used in) investing activities	103,787	(297,606)
Cash flows from financing activities:		
Proceeds from the sales of common stock	2,921,868	3,000,000

Payment of offering costs	-	(144,000)
Merchant reserve	-	646,078
Net cash provided by financing activities	2,921,868	3,502,078
Effect of exchange rate fluctuations on cash and cash equivalents	(87,791)	(831)
Net decrease in cash and cash equivalents	(1,272,939)	(3,275,822)
Cash and cash equivalents, beginning of period	2,926,088	5,855,471
Cash and cash equivalents, end of period	\$ \$1,653,149	\$ \$2,579,649
Supplemental disclosures of other cash flow information:		
Cash paid for income taxes	\$67,954	\$1,702

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

Professional Diversity Network, Inc.
Condensed Consolidated Notes to Financial Statements (Unaudited)

1. Description of Business

Professional Diversity Network, Inc. is both the operator of the Professional Diversity Network (the “Company,” “we,” “our,” “us,” “PDN Network,” “PDN” or the “Professional Diversity Network”) and a holding company for NAPW, Inc., a wholly-owned subsidiary of the Company and the operator of the National Association of Professional Women (the “NAPW Network” or “NAPW”), Noble Voice LLC and Compliant Lead LLC (collectively, “Noble Voice”), PDN (Hong Kong) International Education Ltd, PDN (Hong Kong) International Education Information Co., Ltd, and PDN (China) International Culture Development Co. Ltd, each of which is a wholly-owned subsidiary of the Company and together provide career consultation services. In November 2017, Jiangxi PDN Culture Media Co., Ltd became our consolidated variable interest entity (VIE). Laws and regulations of the People’s Republic of China (“PRC”) prohibit or restrict companies with foreign ownership from certain activities and benefits including eligibility for certain government grants and certain rebates related to commercial activities. To provide the Company the expected residual returns of the VIE, the Company, through its wholly-owned subsidiary PDN (China) International Culture Development Co., Ltd., entered into a series of contractual arrangements with the VIE and its registered shareholders to enable the Company, to exercise effective control over the VIE, receive substantially all of the economic benefits and residual returns, and absorb substantially all the risks of the VIE as if it were the sole shareholder; and have an exclusive option to purchase all of the equity interests in the VIE. Please refer to Note 3 for more details about the VIE. The PDN Network operates online professional networking communities with career resources specifically tailored to the needs of different diverse cultural groups including: Women, Hispanic-Americans, African-Americans, Asian-Americans, Disabled, Military Professionals, Lesbians, Gay, Bisexual and Transgender (LGBT), and Students and Graduates seeking to transition from education to career. The networks’ purposes, among others, are to assist its registered users in their efforts to connect with like-minded individuals, identify career opportunities within the network and connect with prospective employers. The Company’s technology platform is integral to the operation of its business. The NAPW Network is an exclusive women-only professional networking organization, whereby its members can develop their professional networks, further their education and skills, and promote their business and career accomplishments. NAPW provides its members with opportunities to network and develop valuable business relationships with other professionals through its website, as well as at events hosted at its local chapters across the country. The Company established business operations in China in 2017. Our business activities, similar to those in the United States, will be focused on providing tools, products and services in China, which will assist in personal and professional development.

On May 25, 2018, the Company sold Noble Voice to a long-time customer of the Company and exited the business segment conducted by Noble Voice. See Note 3 for additional information.

2. Liquidity, Financial Condition and Management's Plans

At September 30, 2018, the Company's principal sources of liquidity were its cash and cash equivalents and the net proceeds from the sales of shares of common stock in the first nine months of 2018.

The Company had an accumulated deficit of approximately \$81,025,000 at September 30, 2018. During the nine months ended September 30, 2018, the Company generated a net loss from continuing operations of approximately \$10,854,000, used cash in continuing operations of approximately \$4,229,000, and the Company expects that it will continue to generate operating losses for the foreseeable future. At September 30, 2018, the Company had a cash balance of approximately \$1,653,000. Total revenues were approximately \$1,895,000 and \$3,052,000 for the three months ended September 30, 2018 and 2017, respectively, and approximately \$6,327,000 and \$10,621,000 for the nine months ended September 30, 2018 and 2017, respectively. The Company had working capital deficiency of approximately \$2,069,000 and \$1,140,000 at September 30, 2018 and December 31, 2017, respectively. These conditions raise substantial doubt about the Company's ability to continue as a going concern. In order to alleviate the substantial doubt, the Company has approved and undertaken several measures.

Professional Diversity Network, Inc.

Condensed Consolidated Notes to Financial Statements (Unaudited)

The Company is closely monitoring operating costs and capital requirements. Management of the Company also made efforts in 2017 and first three quarters of 2018 to contain and reduce cost, including implementing a new approval process over travel and other expenses, significantly reducing the cash compensation for independent board directors, terminating non-performing employees and eliminating certain positions, and replacing and negotiating with certain vendors. We also sold our Noble Voice business on May 25, 2018 to reduce operating losses and cash burns. If we are still not successful in sufficiently reducing our costs, we may then need to dispose our other assets or discontinue business lines.

On January 29, 2018, the Company sold 380,295 shares of common stock at a price of \$3.91 per share for gross proceeds of \$1,486,953. The per share purchase price reflected the closing price of the Company's shares of common stock on January 24, 2018. The purchaser is Mr. Shengqi Cai, an individual and a resident of the People's Republic of China.

On June 25, 2018, the Company sold 496,510 shares of common stock at a price of \$2.89 per share for gross proceeds of \$1,434,914. The purchaser is China EWI International Finance Group Co., Limited, a limited liability company based in the People's Republic of China.

On November 5, 2018, the Company entered into a note purchase agreement (the "Note Purchase Agreement") with GNet Tech Holdings Public Limited Company (the "GNet Tech"), a related party through one of the Company's shareholders, Cosmic Forward Limited ("CFL"), pursuant to which the Company issued to GNet Tech a \$500,000 convertible promissory note with an interest rate of 6% per annum (the "Note"). The Note shall mature six months after the date of issuance (the "Maturity Date"). Pursuant to the Note Purchase Agreement and the Note, at any time on or after the Maturity Date, at the election of the note holder, the Note will convert into the Company's common stock (the "Common Stock") at a conversion price of the lower of (i) the closing price of the Common Stock on NASDAQ immediately preceding the date of issuance or the date of conversion, as applicable, or (ii) the average closing price of the Common Stock on NASDAQ for the five trading days immediately preceding the date of issuance or the date of conversion, as applicable (the "Minimum Price"). However, in no event shall the conversion price be less than the Minimum Price on the date of issuance. The issuance of the Note is exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, as a transaction not involving a public offering.

On November 16, 2018, the Company entered into a revolving credit facility agreement (the "Revolving Credit Facility Agreement") with GNet Tech, pursuant to which GNet Tech has agreed to provide the Company with working capital

to support its business. The availability period of the Revolving Credit Facility (“RCF”) is the date of the Revolving Credit Facility Agreement until May 31, 2020. GNet Tech agreed to provide the Company with a RCF with a maximum of GBP £1,500,000 at interest of LIBOR rate plus 4% per annum, payable at the end of one, three or six months (specified by the Company) after the loan is drawn. The Company shall repay the loan on May 31, 2020, or any other date which may be agreed in writing between the parties.

Management believes that its available funds will be sufficient to meet its working capital requirements through November 2019. However, there can be no assurances that the plans and actions proposed by management will be successful, that the Company will generate anticipated revenues, or that unforeseen circumstances will not require additional funding sources in the future or effectuate plans to conserve liquidity. Future efforts to raise additional funds may not be successful or they may not be available on acceptable terms, if at all. Due to China’s foreign currency control, the Company may not be able to move money between China and the U.S. freely. The People’s Bank of China (PBOC) and State Administration of Foreign Exchange (SAFE) regulate the flow of foreign exchange in and out of the country. We need to get approval from the Chinese government to move money from China to the U.S. which might take extra time. As of September 30, 2018 we had a \$1,332,000 cash balance in China.

3. Summary of Significant Accounting Policies

Basis of Presentation – The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X of the United States Securities and Exchange Commission (“SEC”). Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. It is management’s opinion, however, that the accompanying unaudited interim condensed consolidated financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented.

The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the SEC on March 30, 2018 (the “Annual Report”), which contains the audited financial statements and notes thereto, together with Management’s Discussion and Analysis, for the years ended December 31, 2017 and 2016. The financial information as of December 31, 2017 is derived from the audited financial statements presented in the Annual Report. The interim results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018 or for any future interim periods.

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

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

Significant estimates underlying the financial statements include the fair value of acquired assets and liabilities associated with acquisitions; assessment of goodwill impairment, other intangible assets and long-lived assets for impairment; allowances for doubtful accounts and assumptions related to the valuation allowances on deferred taxes, the valuation of stock-based compensation and the valuation of stock warrants.

Professional Diversity Network, Inc.**Condensed Consolidated Notes to Financial Statements (Unaudited)**

Principles of Consolidation – The accompanying unaudited condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and its VIE, Jiangxi PDN Culture & Media Co. All significant intercompany balances and transactions have been eliminated in consolidation.

Variable Interest Entity – (VIE)

Financial Information of VIE

In November 2017, Jiangxi PDN Culture Media Co., Ltd became a consolidated VIE. Liabilities recognized as a result of consolidating this VIE do not represent additional claims on the Company's general assets. VIE assets can be used to settle obligations of the primary beneficiary. The financial information of Jiangxi PDN Culture & Media Co., which was included in the accompanying condensed financial statements, is presented as follows:

	September 30, 2018	December 31, 2017
	(in thousands)	
Cash and cash equivalents	\$908	1,671
Total assets	\$1,234	1,672
Total liabilities	\$18	257

	Three Months Ended September 30, 2018		Nine months Ended September 30, 2017	
	(in thousands)			
Total net revenue	\$ -	\$ -	\$ -	\$ -
Net loss	\$ (23)	\$ -	\$ (132)	\$ -

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

Goodwill is tested for impairment at the reporting unit level on an annual basis (December 31 for the Company) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company considers its market capitalization and the carrying value of its assets and liabilities, including goodwill, when performing its goodwill impairment test.

When conducting its annual goodwill impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that goodwill is impaired. If it is determined by a qualitative evaluation that it is more likely than not that goodwill is impaired, the Company then compares the fair value of the Company’s reporting unit to its carrying or book value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of a reporting unit exceeds its fair value, the Company will measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

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

Membership Fees and Related Services

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

Starting January 2, 2018, we also offer a monthly membership for which we collect fees on a monthly basis and we recognize revenue in the same month as we collect the monthly fees.

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

Deferred Revenue – Deferred revenue includes customer deposits received prior to performing services which are recognized as revenue when revenue recognition criteria are met, and membership fees for annual memberships that are collected at the time of enrollment and are recognized as revenue ratably over the 12 month membership period.

Professional Diversity Network, Inc.
Condensed Consolidated Notes to Financial Statements (Unaudited)

Recruitment Services

The Company's recruitment services revenue is derived from the Company's agreements through single and multiple job postings, recruitment media, talent recruitment communities, basic and premier corporate memberships, hiring campaign marketing and advertising, e-newsletter marketing and research and outreach services. Recruitment revenue includes revenue recognized from direct sales to customers for recruitment services and events, as well as revenue from the Company's direct e-commerce sales. Direct sales to customers are most typically a twelve month contract for services and as such the revenue for each contract is recognized ratably over its twelve month term. Event revenue is recognized in the month that the event takes place and e-commerce sales are for one month job postings and the revenue from those sales are recognized in the month the sale is made. Our recruitment services mainly consist of the following products:

On-line job postings to our diversity sites and to our broader network of websites including the National Association for the Advancement of Colored People, National Urban League and over 20 other partner organizations

OFCCP job promotion and recordation services

Diversity job fairs, both in person and virtual fairs

Diversity recruitment job advertising services

Cost per application, a service that employers can purchase whereby PDN sources qualified candidates and charges only for those applicants who meet the employers' minimum qualifications

Diversity executive staffing services

Product Sales and Other Revenue

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

Education and Training

The Company works with its business partners to provide education and training seminars to business people in China. Revenues are recognized in the month when the seminar takes place.

Consumer Advertising and Marketing Solutions

The Company provides career opportunity services to its various partner organizations through advertising and job postings on their websites. The Company works with its partners to develop customized websites and job boards where the partners can generate advertising, job postings and career services to their members, students and alumni. Consumer advertising and marketing solutions revenue is recognized as jobs are posted to their hosted sites.

Discontinued Operations

On May 25, 2018, the Company sold Noble Voice to a long-time customer of the Company and exited the business segment previously conducted by Noble Voice. The sales included all property, equipment, intangible assets, and other long-term assets. The Company retained cash, receivables, payables, and other current and non-current assets and liabilities. The purchase price was \$200,000 and the gain on the transaction was approximately \$64,000.

All historical operating results for Noble Voice are included in a loss from discontinued operations, net of tax, in the accompanying consolidated statement of operations. During the three months ended September 30, 2018, loss from discontinued operations was \$41,000, net of tax expense of \$26,000, compared to a loss of \$170,000, net of tax benefit of \$12,000 during same period in the prior year. During the nine months ended September 30, 2018, loss from discontinued operations was \$425,000, net of tax benefit of \$25,000 compared to a loss of \$509,000, net of tax benefit of \$34,000 during same period in the prior year.

Assets and liabilities that the Company retained, which were previously reported in the Noble Voice operating segment, are now included in current assets from discontinued operations, current liabilities from discontinued operations, and long-term liabilities from discontinued operations. As of September 30, 2018, the current assets from discontinued operations were \$194,000, compared to \$1,180,000 as of December 31, 2017. As of September 30, 2018, current liabilities from discontinued operations were \$220,000 compared to \$485,000 as of December 31, 2017. As of September 30, 2018, long-term liabilities from discontinued operations were \$8,000. There were no long-term liabilities from discontinued operations as of December 31, 2017.

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Advertising and Marketing Expenses – Advertising and marketing expenses are expensed as incurred or the first time the advertising takes place. The production costs of advertising are expensed the first time the advertising takes place. For the three months ended September 30, 2018 and 2017, the Company incurred advertising and marketing expenses of approximately \$565,000 and \$658,000, respectively. For the nine months ended September 30, 2018 and 2017, the Company incurred advertising and marketing expenses of approximately \$1,238,000 and \$2,246,000, respectively. These amounts are included in sales and marketing expenses in the accompanying condensed consolidated statements of comprehensive loss. At September 30, 2018 and December 31, 2017, there were no prepaid advertising expenses recorded in the accompanying condensed consolidated balance sheets.

Net Loss per Share – The Company computes basic net loss per share by dividing net loss per share available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the “treasury stock” and/or “if converted” methods as applicable. The computation of basic net loss per share for the three and nine months ended September 30, 2018 and 2017 excludes the potentially dilutive securities summarized in the table below because their inclusion would be anti-dilutive.

	As of September	
	2018	2017
Warrants to purchase common stock	170,314	170,314
Stock options	499,439	284,897
Unvested Restricted stock units	42,727	15,544
Unvested restricted stock	9,886	2,778
Total dilutive securities	722,366	473,533

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers,” which was subsequently modified in August 2015 by ASU No. 2015-14, “Revenue from Contracts with Customers: Deferral of the Effective Date.” As a result, the ASU No. 2014-09 is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. The core principle of ASU No. 2014-09 is that companies should recognize revenue when the transfer of promised

goods or services to customers occurs in an amount that reflects what the company expects to receive. It requires additional disclosures to describe the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. In 2016, the FASB issued additional ASUs that clarify the implementation guidance on principal versus agent considerations (ASU 2016-08), on identifying performance obligations and licensing (ASU 2016-10), and on narrow-scope improvements and practical expedients (ASU 2016-12) as well as on the revenue recognition criteria and other technical corrections (ASU 2016-20). Since the Company is an Emerging Growth Company “EGC”, it will adopt the standard on January 1, 2019, using the modified retrospective transition method, which may result in a cumulative-effect adjustment for deferred revenue to the opening balance sheet for 2019 and the restatement of the financial statements for all prior periods presented. The Company continues to evaluate the impact of adoption of this standard on its consolidated financial statements and disclosures.

In February 2016, the FASB issued new lease accounting guidance ASU No. 2016-02, “Leases” (“ASU 2016-02”), as amended by ASU 2018-10, “Codification Improvements to Topic 842, Leases” and ASU 2018-11, “Leases (Topic 842): Targeted Improvements.” Under the new guidance, at the commencement date, lessees will be required to recognize a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The new guidance is not applicable for leases with a term of 12 months or less. Lessor accounting is largely unchanged. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

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In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses” (“ASU 2016-13”). ASU 2016-13 introduces a new model for estimating credit losses for certain types of financial instruments, including loans receivable, held-to-maturity debt securities and net investments in direct financing leases, amongst other financial instruments. ASU 2016-13 also modifies the impairment model for available-for-sale debt securities and expands the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating the allowance for losses. ASU 2016-13 is effective for public business entities in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early application of the guidance permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows: Clarification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”), which eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for annual periods beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. ASU 2016-15 provides for retrospective application for all periods presented. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, “Income Taxes (Topic 740)” (“ASU 2016-16”), which reduces the complexity in the accounting standards by allowing the recognition of current and deferred income taxes for an intra-entity asset transfer, other than inventory, when the transfer occurs. This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted using a modified retrospective transition approach. The Company is currently assessing the impact of the adoption of this guidance on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805) Clarifying the Definition of a Business” (“ASU 2017-01”). The amendments in ASU 2017-01 is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including

acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2018, including interim periods within annual periods beginning after December 15, 2019. The Company does not expect that the ASU will have a material impact on our financial condition or results of operations.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (ASC 350): Simplifying the Test for Goodwill Impairment, which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Therefore, any carrying amount which exceeds the reporting unit's fair value (up to the amount of goodwill recorded) will be recognized as an impairment loss. The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those periods. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact of adopting this guidance.

In July 2017, the FASB issued ASU 2017-11, "Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception" ("ASU 2017-11"). ASU 2017-11 eliminates the requirement to consider "down round" features when determining whether certain equity-linked financial instruments or embedded features are indexed to an entity's own stock. It is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. The Company does not expect that the ASU will have a material impact on our financial condition or results of operations.

In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"). ASU 2018-02 allows for the reclassification of certain income tax effects related to the Tax Cuts and Jobs Act between "Accumulated other comprehensive income" and "Retained earnings." This ASU relates to the requirement that adjustments to deferred tax liabilities and assets related to a change in tax laws or rates to be included in "Income from continuing operations", even in situations where the related items were originally recognized in "Other comprehensive loss" (rather than in "Loss from operations"). ASU 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. Adoption of ASU 2018-02 is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the tax laws or rates were recognized. The Company is evaluating the effect of this guidance.

In June 2018, the FASB issued ASU 2018-07, "Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting" ("ASU 2018-07"), which expands the scope of Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which the grantor acquires goods and services to be used or consumed in its own operations by issuing share-based payment awards. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC 606. ASU 2018-07 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. The Company does not expect that the ASU will have a material impact on our financial condition or results of operations.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This standard aligns the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software, regardless of whether they convey a license to the hosted software. The accounting for the service element of a hosting arrangement that is a service contract is not affected by this ASU. The amendments are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently assessing the impact of the adoption of this guidance on its consolidated financial statements.

In October 2018, the FASB released ASU No. 2018-17, Consolidation (ASC 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities, which improves the consistency of the application of the variable interest entity (VIE) related party guidance for common control arrangements. The amendments require reporting entities to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety (as currently required in GAAP) when determining whether a decision-making fee is a variable interest. ASU 2018-17 will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted. The amendments should be applied retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The Company does not expect that the ASU will have a material impact on our financial condition or results of operations.

4. Capitalized Technology

Capitalized technology, net is as follows:

	September 30, 2018	December 31, 2017
Capitalized cost:		
Balance, beginning of period	\$2,043,122	\$1,860,558
Additional capitalized cost	88,868	182,564
Balance, end of period	\$2,131,990	\$2,043,122
Accumulated amortization:		
Balance, beginning of period	\$1,889,741	\$1,698,954
Provision for amortization	54,991	190,787
Balance, end of period	\$1,944,732	\$1,889,741
Capitalized Technology, net	\$187,258	\$153,381

Amortization expense were approximately \$21,000 and \$39,000 for the three months ended September 30, 2018 and 2017, respectively, and approximately \$55,000 and \$147,000 for the nine months ended September 30, 2018 and 2017, respectively, and are recorded in depreciation and amortization expenses in the accompanying condensed consolidated statements of operations and comprehensive loss.

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5. Intangible Assets

Intangible assets, net is as follows:

	Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
September 30, 2018				
Long-lived intangible assets:				
Sales Process	10	\$3,970,000	\$(1,593,514)	\$2,376,486
Paid Member Relationships	5	890,000	(714,472)	175,528
Member Lists	5	8,957,000	(7,190,480)	1,766,520
Developed Technology	3	648,000	(648,000)	-
Trade Name/Trademarks	4	440,000	(440,000)	-
		\$14,905,000	\$(10,586,466)	4,318,534
Indefinite-lived intangible assets:				
Trade Name				90,400
Intangible assets, net				\$4,408,934

	Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
December 31, 2017				
Long-lived intangible assets:				
Sales Process	10	\$3,970,000	\$(1,295,764)	\$2,674,236
Paid Member Relationships	5	890,000	(580,972)	309,028
Member Lists	5	8,957,000	(5,846,931)	3,110,069
Developed Technology	3	648,000	(648,000)	-
Trade Name/Trademarks	4	440,000	(359,027)	80,973
		\$14,905,000	\$(8,730,694)	6,174,306
Indefinite-lived intangible assets:				

Trade Name	90,400
Intangible assets, net	\$6,264,706

Future annual estimated amortization expense is summarized as follows:

Years ending December 31,	
2018 (three months)	\$ 591,600
2019	1,846,697
2020	397,000
2021	397,000
2022	397,000
Thereafter	689,237
	\$4,318,534

Amortization expenses of \$618,000 and \$670,000 were the three months ended September 30, 2018 and 2017, respectively, and \$1,866,000 and \$2,016,000 for the nine months ended September 30, 2018 and 2017, respectively, and are recorded in depreciation and amortization expenses in the accompanying condensed consolidated statements of operations and comprehensive loss.

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6. Commitments and Contingencies

Lease Obligations – The Company leases office space and equipment under various operating lease agreements, including an office for its headquarters, as well as office spaces for its events business, sales and administrative offices under non-cancelable lease arrangements that provide for payments on a graduated basis with various expiration dates.

Rent expense, amounting to approximately \$87,000 and \$401,000 for the three months ended September 30, 2018 and 2017, respectively, and approximately \$495,000 and \$847,000 for the nine months ended September 30, 2018 and 2017, respectively, and are included in general and administrative expense in the condensed consolidated statements of operations and comprehensive loss.

Legal Proceedings

In a letter dated October 12, 2017, White Winston Select Asset Funds (“White Winston”) threatened assertion of claims against the Company. The letter alleges that White Winston suffered \$2,241,958 in damages as a result of the Company’s alleged conduct that caused a delay in White Winston’s ability to sell shares in the Company during a period when the Company’s stock price was generally falling. The Company investigated White Winston’s claims and communicated to White Winston that the Company denies liability for any such claims. White Winston filed an action, entitled White Winston Select Asset Funds, LLC v. Professional Diversity Network, Inc., No. 18-cv-10844, on April 30, 2018 in the United States District Court for the District of Massachusetts making similar claims and alleging that it suffered a loss of \$1,708,233 as a result of the delay in selling shares. White Winston seeks to recover compensatory damages, double or treble damages under M.G.L. ch. 93A, and costs and attorneys’ fees. White Winston informed the Company on October 23, 2018 that they cannot meet the jurisdiction requirement for federal court and are therefore voluntarily dismissing this federal court case and re-filing a new case in state court.

NAPW is a defendant in a Nassau County (NY) Supreme Court case, whereby TL Franklin Avenue Plaza LLC has sued NAPW with respect to NAPW’s former Garden City NY Premises. NAPW had surrendered the Premises to the Landlord, and the Landlord is suing NAPW for the balance of the rent due under the Lease Term – which term is less than one year remaining. The case is currently being litigated, and we are currently in the pleadings phase of the litigation.

The Company is a party to a proceeding captioned Gerbie, et al. v. Professional Diversity Network, Inc. (U.S. Dist. Ct., N.D. Ill.), a putative class action alleging violations of the Telephone Consumer Protection Act. A settlement has been reached and case has been dismissed by the court. The Company believes that its practices and procedures were compliant with the Telephone Consumer Protection Act and admitted no fault.

NAPW and PDN are two of the named Respondents in a Superior Court of New Jersey Proceeding, and they are being sued by Shore Digital LLC. The Petitioner in this matter, Shore Digital LLC is alleging that both NAPW and PDN are in breach of contract, and the matter involves the payment of the entire value of the contract plus counsel fees, interests, and costs owing to the Petitioner. The case is on-going, and discussions are taking place to assess the company's options to settle the matter without further litigation.

The Company and its wholly-owned subsidiary, NAPW, Inc., are parties to a proceeding captioned Deborah Bayne, et al. vs. NAPW, Inc. and Professional Diversity Network, Inc., No. 18-cv-3591 (E.D.N.Y.), filed in June of 2018 and alleging violations of the Fair Labor Standards Act and certain provisions of the New York Labor Law. The Company disputes that it or its subsidiary violated the applicable laws or that either entity has any liability and intends to vigorously defend against these claims. The matter is in the earliest stages of discovery. The potential financial impact on the Company is inherently uncertain at this point.

The Company is a party to a proceeding captioned Jacqueline M. Jefferson v. Noble Voice, No. 440-2018-06979 (EEOC), filed with the Equal Employment Opportunity Commission ("EEOC") on July 10, 2018 and alleging violations of Title VII and the Equal Pay Act of 1963, where an employee alleges she was terminated by the Company due to her age on May 25, 2018. Ms. Jefferson's termination was as a result of the sale of the Noble Voice business on May 25, 2018. The Company and Jacqueline Jefferson are in the process of mediation.

General Legal Matters

From time to time, the Company is involved in legal matters arising in the ordinary course of business. While the Company believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Company is, or could be, involved in litigation, will not have a material adverse effect on its business, financial condition or results of operations.

7. Income Taxes

The effective income tax rate for the three months ended September 30, 2018 and 2017 was 2.6% and 8.0%, respectively, resulting in a \$190,000, and \$201,000 income tax benefit, respectively. The effective income tax rate for

the nine months ended September 30, 2018 and 2017 was 4.9% and 6.2%, respectively, resulting in a \$562,000 and \$1,126,000 income tax benefit, respectively. The difference in the effective income tax rate for the three and nine months ended September 30, 2018, compared to the three and nine months ended September 30, 2017, is mainly attributable to the decrease in tax rates pursuant to the U.S. Tax Cuts and Jobs Act, an impairment charge recognized on NAPW's goodwill, and a change in the valuation allowance. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on the consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of September 30, 2018 and December 31, 2017.

The U.S. Tax Cuts and Jobs Act subjects a U.S. parent shareholder to current tax on its "global intangible low-taxed income" (GILTI). We are allowed under ASC 740 to elect an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current period expense when incurred or (2) factoring such amounts into the Company's measurement of its deferred taxes. Because of the complexity of these rules, and anticipated guidance from U.S. Treasury we will continue to evaluate the impact on the Company's financial statements. Therefore, we have not recorded any deferred taxes related to GILTI and have not made a policy decision regarding whether to record deferred taxes on GILTI.

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8. Stock-Based Compensation

Equity Incentive Plans – The Company’s 2013 Equity Compensation Plan (the “2013 Plan”) was adopted for the purpose of providing equity incentives to employees, officers, directors and consultants including options, restricted stock, restricted stock units, stock appreciation rights, other equity awards, annual incentive awards and dividend equivalents. The Company amended the 2013 Plan to increase the number of authorized shares of common stock under the Plan from 225,000 shares to 615,000 shares, which the Company’s stockholders approved on June 26, 2017. The Company further amended the 2013 Plan to increase the number of authorized shares of common stock under the Plan by 300,000 shares, which the Company’s stockholders approved and ratified on November 8, 2018. The Company is now authorized to issue 915,000 shares under the amended 2013 Plan.

Stock Options

The following table summarizes the Company’s stock option activity for the nine months ended September 30, 2018:

			Weighted	
	Number	Weighted	Average	Aggregate
	of	Average	Remaining	Intrinsic
	Options	Exercise	Contractual	Value
		Price	Life	
			(in Years)	
Outstanding – January 1, 2018	246,564	\$ 11.17	9.1	\$ -
Granted	253,000	2.82		
Exercised	-	-		
Forfeited/Canceled/Expired	(125)	27.6		
Outstanding – September 30, 2018	499,439	\$ 6.94	9.0	\$ 7,500

Exercisable – September 30, 2018 251,272 \$ 8.49 8.8 \$ 2,500

On April 19, 2018, the Company granted 75,000, 75,000, 70,000 and 30,000 stock options to Executive Chairman Jingbo Song, Non-executive Chairman James Kirsch, CEO Michael Wang and CFO Gary Xiao, respectively, in connection with their employment agreements. On September 7, 2018, the Company granted 3,000 stock options to an employee, in connection with his employment agreement. These options had an aggregate fair value of \$547,000, using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate	2.77% to 2.82	%
Expected dividend yield	0.00	%
Expected volatility	97.4% to 98.8	%
Expected term	5.4 to 5.5	years

The April 19, 2018 options granted are exercisable at an exercise price of \$2.82 per share over a ten-year term and vest over two years, with one-third vested upon grant, while the September 7, 2018 options granted are exercisable at an exercise price of \$3.07 per share over a ten-year term and vest over two years, with one-third vested upon grant.

The Company recorded non-cash compensation expense, which is included in general and administrative expenses in the accompanying condensed consolidated statement of operations, of approximately \$137,000 and \$88,000 for the three months ended September 30, 2018 and 2017, respectively, and approximately \$524,000 and \$618,000 for the nine months ended September 30, 2018 and 2017, respectively, related to stock option grants.

Total unrecognized compensation expense related to unvested stock options at September 30, 2018 amounted to approximately \$435,000 and is expected to be recognized over a remaining weighted average period of 1.2 years.

Warrants

As of September 30, 2018, there were 170,314 warrants outstanding and exercisable, with a weighted average exercise price of \$32.44 per share. The weighted average remaining contractual life of the warrants at September 30, 2018 and December 31, 2017 was 2.6 and 3.3 years, respectively, and the aggregate intrinsic value was 0.

The Company did not grant any warrants to purchase shares of common stock during the nine months ended September 30, 2018.

No compensation cost was recognized for the three and nine months ended September 30, 2018 and 2017 pertaining to warrants.

Professional Diversity Network, Inc.
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Restricted Stock and Restricted Stock Units

During the first nine months of 2018, the Company granted 42,727 restricted stock units (“RSUs”) to certain Board members and 9,886 restricted stock to senior management. The RSUs vest one year after they were awarded, subject to continued service on the vesting date. The RSUs have no voting or dividend rights. The fair value of the common stock on the dates of grant were \$2.82 and \$3.07 per share, based upon the closing market price on the grant dates. The aggregate grant date fair value of the combined awards amounted to \$154,000.

A summary of the restricted stock award activity for the nine months ended September 30, 2018 is as follows:

	Number of Shares
Unvested Outstanding at December 31, 2017	15,544
Granted	52,613
Forfeited	-
Vested	(15,544)
Unvested Outstanding at September 30, 2018	52,613

On June 26, 2017, the Company granted 15,544 RSUs to certain Board members. The RSUs vested on June 28, 2018. The RSUs have no voting or dividend rights. The fair value of the common stock on the date of grant was \$7.72 per share, based upon the closing market price on the grant date. The aggregate grant date fair value of the combined awards amounted to \$120,000.

The Company recorded non-cash compensation expenses of approximately \$34,000 and \$58,000 for the three months ended September 30, 2018 and 2017, respectively, and approximately \$113,000 and \$113,000 for the nine months ended September 30, 2018 and 2017, respectively, related to restricted stock grants.

Total unrecognized compensation expense related to unvested restricted stock and unvested restricted stock units at September 30, 2018 amounts to approximately \$101,000 and is expected to be recognized over a weighted average period of 0.5 year.

9. Segment Information

Beginning on May 26, 2018, the Company operates in the following segments: (A) United States: (i) PDN Network and (ii) NAPW Network, and (B) China Operations. The segments are categorized based on their business activities and organization. Prior to May 26, 2018, the Company operated in the following segments: (A) United States: (i) PDN Network, (ii) NAPW Network, and (B) China Operations. The following tables present key financial information of the Company's reportable segments as of and for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30, 2018				
	United States				
	PDN Network	NAPW Network	China Operations	Corporate Overhead	Consolidated
Membership fees and related services	\$-	\$1,058,443	\$53,599	\$-	\$1,112,042
Recruitment services	705,040	-	-	-	705,040
Products sales and other	-	3,180	-	-	3,180
Consumer advertising and marketing solutions	74,360	-	-	-	74,360
Total revenues	779,400	1,061,623	53,599	-	1,894,622
(Loss) income from continuing operations	67,617	(6,163,059)	(448,714)	(859,737)	(7,403,893)
Depreciation and amortization	15,757	631,485	2,861	-	650,103
Income tax expense (benefit)	6,510	(269,371)	-	72,913	(189,950)
Net (loss) income from continuing operations	66,807	(5,893,686)	(429,233)	(932,650)	(7,188,762)
Capital expenditures	-	-	(3,639)	-	(3,639)

Professional Diversity Network, Inc.
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	Nine Months Ended September 30, 2018				
	United States				
	PDN Network	NAPW Network	China Operations	Corporate Overhead	Consolidated
Membership fees and related services	\$-	\$3,878,875	\$181,114	\$-	\$4,059,989
Recruitment services	2,018,832	-	-	-	2,018,832
Products sales and other	-	13,197	-	-	13,197
Education and training	-	-	16,048	-	16,048
Consumer advertising and marketing solutions	218,637	-	-	-	218,637
Total revenues	2,237,469	3,892,072	197,162	-	6,326,703
Loss from continuing operations	15,858	(7,360,589)	(1,273,897)	(2,850,279)	(11,468,907)
Depreciation and amortization	49,722	1,926,366	13,037	-	1,989,125
Income tax expense (benefit)	1,832	(408,375)	2,265	(158,137)	(562,415)
Net loss from continuing operations	31,183	(6,952,214)	(1,240,913)	(2,692,142)	(10,854,086)
Capital expenditures	-	-	(7,206)	-	(7,206)

	September 30, 2018			
Goodwill	\$339,451	\$-	\$-	\$- \$339,451
Intangible assets, net	90,400	4,318,534	-	- 4,408,934
Assets from continuing operations	1,542,973	5,423,600	1,564,863	- 8,531,436

	Three Months Ended September 30, 2017				
	United States				
	PDN Network	NAPW Network	China Operations	Corporate Overhead	Consolidated
Membership fees and related services	\$-	\$2,204,909	\$-	\$-	\$2,204,909
Recruitment services	694,454	-	-	-	694,454
Products sales and other	-	18,285	-	-	18,285
Education and training	-	-	68,890	-	68,890
Consumer advertising and marketing solutions	65,188	-	-	-	65,188
Total revenues	759,642	2,223,194	68,890	-	3,051,726
	40,429	(1,219,722)	(348,630)	(1,000,362)	(2,528,285)

(Loss) income from continuing operations					
Depreciation and amortization	13,213	740,489	3,442	-	757,144
Income tax expense (benefit)	3,283	(93,955)	(43,043)	(67,408)	(201,123)
Net (loss) income from continuing operations	51,263	(1,125,767)	(310,269)	(932,954)	(2,317,727)
Capital expenditures	93,676	-	12,356	-	106,032

Nine Months Ended September 30, 2017

	United States				
	PDN	NAPW	China	Corporate	Consolidated
	Network	Network	Operations	Overhead	
Membership fees and related services	\$-	\$7,465,202	\$-	\$-	\$7,465,202
Recruitment services	1,977,101	-	-	-	1,977,101
Products sales and other	-	91,226	-	-	91,226
Education and training	-	-	898,584	-	898,584
Consumer advertising and marketing solutions	189,217	-	-	-	189,217
Total revenues	2,166,318	7,556,428	898,584	-	10,621,330
(Loss) income from continuing operations	(66,187)	(13,185,268)	(286,957)	(4,747,737)	(18,286,149)
Depreciation and amortization	67,099	2,220,806	6,107	-	2,294,012
Income tax expense (benefit)	(3,422)	(831,178)	-	(291,620)	(1,126,220)
Net (loss) income from continuing operations	(50,859)	(12,354,090)	(294,962)	(4,456,117)	(17,156,028)
Capital expenditures	100,823	10,646	48,060	-	159,529

Professional Diversity Network, Inc.**Condensed Consolidated Notes to Financial Statements (Unaudited)**

	December 31, 2017				
Goodwill	\$339,451	\$5,250,699	\$-	\$-	\$5,590,150
Intangible assets, net	90,400	6,174,306	-	-	6,264,706
Assets from continuing operations	1,726,061	12,889,367	3,056,281	-	17,671,709

10. Subsequent Events

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the condensed consolidated financial statements were issued for potential recognition or disclosure. On November 5, 2018, the Company entered into a note purchase agreement (the “Note Purchase Agreement”) with GNet Tech Holdings Public Limited Company (the “GNet Tech”), pursuant to which the Company issued to GNet Tech a \$500,000 convertible promissory note with an interest rate of 6% per annum (the “Note”). The Note shall mature six months after the date of issuance (the “Maturity Date”). Pursuant to the Note Purchase Agreement and the Note, at any time on or after the Maturity Date, at the election of the note holder, the Note will convert into the Company’s common stock (the “Common Stock”) at a conversion price of the lower of (i) the closing price of the Common Stock on NASDAQ immediately preceding the date of issuance or the date of conversion, as applicable, or (ii) the average closing price of the Common Stock on NASDAQ for the five trading days immediately preceding the date of issuance or the date of conversion, as applicable (the “Minimum Price”). However, in no event shall the conversion price be less than the Minimum Price on the date of issuance. The issuance of the Note is exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, as a transaction not involving a public offering.

On November 16, 2018, the Company entered into a revolving credit facility agreement (the “Revolving Credit Facility Agreement”) with GNet Tech, pursuant to which GNet Tech has agreed to provide the Company with working capital to support its business. The availability period of the Revolving Credit Facility (“RCF”) is the date of the Revolving Credit Facility Agreement until May 31, 2020. GNet Tech agreed to provide the Company with a RCF with a maximum of GBP £1,500,000 at interest of LIBOR rate plus 4% per annum, payable at the end of one, three or six months (specified by the Company) after the loan is drawn. The Company shall repay the loan on May 31, 2020, or any other date which may be agreed in writing between the parties.

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

*Unless we specify otherwise, all references in this Quarterly Report on Form 10-Q (the "**Quarterly Report**") to "PDN," "the Company," "we," "our," and "us" refer to Professional Diversity Network, Inc. and its consolidated subsidiaries. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto in Item 1, "Financial Statements," in Part I of this Quarterly Report. This discussion contains forward-looking statements, which are based on our assumptions about the future of our business. Our actual results will likely differ materially from those contained in the forward-looking statements. Please read "Special Note Regarding Forward-Looking Statements" for additional information regarding forward-looking statements used in this Quarterly Report.*

Overview

We are an operator of professional networks with a focus on diversity, employment, education and training. We use the term "diversity" (or "diverse") to describe communities, or "affinities," that are distinct based on a wide array of criteria, including ethnic, national, cultural, racial, religious or gender classification. We serve a variety of such communities, including Women, Hispanic-Americans, African-Americans, Asian-Americans, Disabled, Military Professionals, and Lesbian, Gay, Bisexual and Transgender (LGBT+).

We operated in four business segments: (i) Professional Diversity Network ("**PDN Network**"), which includes online professional networking communities with career resources tailored to the needs of various diverse cultural groups and employers looking to hire members of such groups, (ii) National Association of Professional Women ("**NAPW Network**"), a women-only professional networking organization, (iii) Noble Voice operations ("**Noble Voice**") until May 25, 2018, a career consultation and lead generation service, and (iv) China operations ("**China Operations**"), which focuses on providing tools, products and services in China which will assist women, students and business professionals in personal and professional development.

On May 25, 2018, the Company sold Noble Voice to a long-time customer of the Company and exited the business segment. The Company retained all receivables and payables prior to the May 25, 2018 closing date and as a result of this divestiture, ceased operating losses on that division immediately upon the sale. Management believes that education lead generation business is not important to the Company's long-term strategy and with the sale of the Noble Voice division, the Company is now able to focus on executing its long term plan for its PDN jobs recruitment division and NAPW.

Our value proposition is simple: (i) we provide a robust online and in-person network for our women members to make professional and personal connections for our diverse audience of women: African Americans, Hispanics,

Asians, Veterans, individuals with disabilities and members of the gay community (with the ability to roll out to our other affinities); (ii) we assist our registered users, or members, in their efforts to connect with like-minded individuals and identify career opportunities within the network; (iii) we help employers address their workforce diversity needs by connecting them with the right candidates; and (iv) we leverage our U.S. expertise and China connections to deliver these values to China, one of the world's fastest-growing markets for professional networking.

In January of 2017, the Company established PDN Hong Kong through its two wholly-owned subsidiaries there and in March of 2017 the Company established PDN China through its subsidiary there. We are currently executing our strategic plan to build in China entirely new networking, training and education businesses. We believe that coupling the Company's expertise in networking and careers with our Chinese executives' expertise in the China market will provide us with an opportunity for success with our overseas expansion. During the first two quarters of 2017, we held seven events as part of our education and training business line's "Shared Economy" summit series, attracting over 7,800 paid attendees. Additionally, during the second quarter of 2017, we held a selective marketing event to introduce IAW, the PDN China women's networking business.

In the third quarter of 2017, PDN China began to transact IAW annual memberships in China, ranging from RMB 20,000 to RMB 200,000 (approximately \$3,000 to \$30,000). Additionally IAW China held its first IAW VIP China event at the Women's Forum Global Meeting, in Paris, France. Also, on December 2, 2017, PDN China held its largest education and training event of the year. The event, "The International Capital Leadership Summit", took place in Beijing, China. Among its many notable speakers was Mr. Bruce Aust, Vice Chairman of the Nasdaq Exchange, who was featured at the event. In the fourth quarter of 2017, PDN China began to transact annual business club memberships in China, ranging from RMB 20,000 to RMB 100,000 (approximately \$3,000 to \$15,000).

Through the third quarter of 2018, our PDN Network, NAPW Network, and China Operations businesses represented 41.2%, 56.0%, and 2.8% of our revenues, respectively. As of September 30, 2018, we had approximately 10.7 million registered users in our PDN Network and approximately 954,000 registered users, or members, in the NAPW Network. We believe that the combination of our solutions allows us to approach recruiting and professional networking in a unique way and thus create enhanced value for our members and customers.

Sources of Revenue

We generate revenue from (i) paid membership subscriptions and related services, (ii) recruitment services, (iii) product sales, (iv) education and training and (v) consumer advertising and consumer marketing solutions. The following table sets forth our revenues from each product as a percentage of total revenue for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Three Months Ended		Nine Months Ended	
	September 30, 2018	2017	September 30, 2018	2017
Percentage of revenue by product:				
Membership fees and related services	58.7%	72.3%	64.1%	70.3%
Recruitment services	37.2%	22.7%	31.9%	18.6%
Products sales and other	0.2 %	0.6 %	0.2 %	0.8 %
Education and training	- %	2.3 %	0.3 %	8.5 %
Consumer advertising and consumer marketing solutions	3.9 %	2.1 %	3.5 %	1.8 %

Paid Membership Subscriptions and Related Services. Paid Membership Subscriptions and Related Services. We offer paid membership subscriptions through our NAPW Network, a women-only professional networking organization, operated by our wholly-owned subsidiary. Members gain access to networking opportunities through a members-only website at www.iawomen.com and “virtual” eChapter events which occur in a webcast setting as well as through in-person networking at approximately 100 local chapters nationwide, additional career and networking events such as the National Networking Summit Series, Power Networking Events and the PDN Network events. NAPW members also receive ancillary (non-networking) benefits such as educational discounts, shopping, and other membership perks. The basic package is the Initiator level, which provides online benefits only. Upgrades to an Innovator membership include the Initiator benefits as well as membership in local chapters, and access to live in-person events. The most comprehensive level, the Influencer, provides all the aforementioned benefits plus admission to exclusive “live” events and expanded opportunities for marketing and promotion, including the creation and distribution of a press release, which is prepared by professional writers and sent over major newswires. Additionally, all memberships offer educational programs with discounts or at no cost, based on the membership level. NAPW Membership is renewable and fees are payable on an annual or monthly basis, with the first fee payable at the commencement of the membership. NAPW Membership subscriptions represented approximately 99.7% and 99.2%, respectively, of revenue attributable to the NAPW Network business segment for the three months ended September 30, 2018 and 2017, and 99.7% and 98.8%, respectively, for the nine months ended September 30, 2018 and 2017.

As part of the launch of IAW in the United States, the Company began to offer a monthly membership option in January 2018, in addition to an annual membership option. While this has increased the number of new members

registering, membership revenue is received on a monthly rather than an annual basis. The new IAW is focused on delivering member benefits and providing value to those who join as paid members.

In the third quarter of 2017, PDN China began to transact IAW annual memberships in China, ranging from RMB 20,000 to RMB 200,000 (approximately \$3,000 to \$30,000). In the fourth quarter of 2017, PDN China began to transact annual business club memberships in China, ranging from RMB 20,000 to RMB 100,000 (approximately \$3,000 to \$15,000). IAW memberships comprised approximately 100% of revenue attributable to China Operations for the three months ended September 30, 2018, and 91.9% for the nine months ended September 30, 2018.

Recruitment Services. We provide recruitment services through PDN Network to medium and large employers seeking to diversify their employment ranks. Our recruitment services include recruitment advertising, job postings, semantic search technology and paid access to, and placement in, or advertising around our career and networking events. The majority of recruitment services revenue comes from job recruitment advertising. We also offer to businesses subject to the regulations and requirements of the Equal Employment Opportunity Office of Federal Contract Compliance Program (“**OFCCP**”) our OFCCP compliance product, which combines diversity recruitment advertising with job postings and compliance services. Recruitment advertising revenue constituted approximately 90.5% and 91.4%, respectively, of revenue attributable to the PDN Network business segment for the three months ended September 30, 2018 and 2017. For the nine months ended September 30, 2018 and 2017, recruitment advertising revenue constituted approximately 90.2% and 91.3%, respectively, of the revenue attributable to the PDN Network business segment.

Product Sales. We offer to new purchasers of our NAPW memberships the opportunity to purchase a commemorative wall plaque at the time of purchase. They may purchase up to two plaques at that time. Product sales represented approximately 0.3% and 0.8%, respectively, of revenue attributable to the NAPW Network business segment for the three months ended September 30, 2018 and 2017, and 0.3% and 1.2%, respectively, of revenue attributable to the NAPW Network business segment for the nine months ended September 30, 2018 and 2017.

Education and Training. In March of 2017 we began our China Operations by creating a Shared Economy summit series designed to provide education and training to Chinese business people. Our initial event was a paid event which generated revenue through paid event admission fees. Education and training represented approximately 0% and 100%, respectively, of the revenue attributable to China Operations for the three months ended September 30, 2018 and 2017, and 8.1% and 100%, respectively, of revenue attributable to China Operations for the nine months ended September 30, 2018 and 2017.

Consumer Advertising and Consumer Marketing Solutions. We work with partner organizations to provide them with integrated job boards on their websites which offer their members or customers the opportunity to post recruitment advertising and job openings. We generate revenue from fees charged for those postings. Consumer advertising and marketing solutions represented approximately 9.5% and 8.6%, respectively, of the revenue attributable to the PDN Network business segment for the three months ended September 30, 2018 and 2017. For the nine months ended September 30, 2018 and 2017, consumer advertising and consumer marketing solutions revenue constituted approximately 9.8% and 8.7%, respectively, of the revenue attributable to the PDN Network business segment.

Cost of Revenue

Cost of revenue primarily consists of costs of producing job fair and other events, revenue sharing with partner organizations, costs of web hosting and operating our websites for the PDN Network, and costs of producing education and training events and serving IAW members for our China business. Costs of producing wall plaques, hosting member conferences and local chapter meetings are also included in the cost of revenue for NAPW Network.

Financial Overview

During the three and nine months ended September 30, 2018, we experienced losses as we continued our efforts to develop China Operations, reduce costs and streamline our business. For the three months ended September 30, 2018, we realized a net loss from continuing operations of approximately \$7,189,000, a \$4,870,000 increase from the comparable prior year period. This increase in net loss was primarily a result of a \$5,251,000 goodwill impairment charge that was recorded during third quarter of 2018, and a decrease of \$1,093,000 in revenues from membership fees, partially offset by a decrease of \$926,000 in overall general and administrative expenses, and a decrease of \$622,000 in overall sales and marketing costs. For the nine months ended September 30, 2018, we realized a net loss from continuing operations of approximately \$10,854,000, a \$6,302,000 decrease from the comparable prior year period. This decrease in net loss is primarily a result of a \$4,669,000 decrease in goodwill impairment charge related to our NAPW segment, a decrease of \$3,362,000 in overall general and administrative expenses, and a decrease of \$2,666,000 in overall sales and marketing costs, partially offset by a decrease of \$3,405,000 in revenues from membership fees, and a decrease of \$883,000 in revenues from education and training.

Key Metrics

We believe that one of the key metrics in evaluating and measuring our performance is the number of registered users. We define the number of registered users as (i) the number of individual job seekers who affirmatively visited one of PDN Network's properties, opted into an affinity group and provided us with demographic or contact information enabling us to match them with employers and/or jobs (PDN Network registered users); and (ii) the number of consumers who have viewed our marketing material, opted into membership in the NAPW Network, provided demographic information and engaged in an onboarding call with a membership coordinator (NAPW Network registered users). We believe that a higher number of registered users will result in increased sales of our products and services, as customers will have access to a larger pool of professional talent. However, a higher number of registered users will not immediately translate to increased revenue, as there is a lag between the time we acquire a registered user through our lead-generation process and the time we generate revenue from a registered user by selling them one of our paid products or services.

The following table sets forth the number of registered users on our PDN Network and total membership on our NAPW Network as of the periods presented:

	As of		Change	
	September 30,	September 30,	(Percent)	
	2018	2017		
	(in thousands)			
PDN Network Registered Users (1)	10,659	9,975	6.9	%
NAPW Network Total Membership (2)	954	952	0.2	%

The number of registered users may be higher than the number of actual users due to various factors. For more information, see “ *Risk Factors page #18 —The reported number of our registered users is higher than the number of (1) actual individual users, and a substantial majority of our visits are generated by a minority of our users* ” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the “2017 Annual Report” as filed with the SEC on March 30, 2018).

(2) Includes both Paid Members and Unpaid Members.

Non-GAAP Financial Measure*Adjusted EBITDA*

We believe Adjusted EBITDA provides a meaningful representation of our operating performance that provides useful information to investors regarding our financial condition and results of operations. Adjusted EBITDA is commonly used by financial analysts and others to measure operating performance. Furthermore, management believes that this non-GAAP financial measure may provide investors with additional meaningful comparisons between current results and results of prior periods as they are expected to be reflective of our core ongoing business. However, while we consider Adjusted EBITDA to be an important measure of operating performance, Adjusted EBITDA and other non-GAAP financial measures have limitations, and investors should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Further, Adjusted EBITDA, as we define it, may not be comparable to EBITDA, or similarly titled measures, as defined by other companies.

The following table provides a reconciliation of Net Loss from continuing operations to Adjusted EBITDA, the most directly comparable GAAP measure reported in our consolidated financial statements:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	(in thousands)			
Loss from Continuing Operations	\$(7,189)	\$(2,318)	\$(10,854)	\$(17,156)
Stock-based compensation expense	171	146	637	731
Goodwill impairment charge	5,251	-	5,251	9,920
Depreciation and amortization	650	757	1,989	2,294
Litigation settlement	342	155	342	155
Interest Expense	(30)	-	(30)	12
Interest and other income	4	(4)	-	(9)
Income tax expense (benefit)	(190)	(201)	(562)	(1,126)
Adjusted EBITDA	\$(991)	\$(1,465)	\$(3,227)	\$(5,179)

Results of Operations**Revenues**

Total Revenues

The following tables set forth our revenues for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Three Months Ended		Change	Change	
	September 30, 2018	2017	(Dollars)	(Percent)	
	(in thousands)				
Revenues					
Membership fees and related services	\$1,112	\$2,205	\$ (1,093)	(49.6)	%
Recruitment services	705	694	11	1.6	%
Products sales and other	3	18	(15)	(83.3)	%
Education and training	-	69	(69)	(100.0)	%
Consumer advertising and marketing solutions	74	65	9	13.8	%
Total revenues	\$1,894	\$3,051	\$ (1,157)	(37.9)	%

	Nine Months Ended		Change (Dollars)	Change (Percent)	
	September 30, 2018	September 30, 2017			
	(in thousands)				
Revenues					
Membership fees and related services	\$4,060	\$7,465	\$ (3,405)	(45.6)	%
Recruitment services	2,019	1,976	42	2.1	%
Products sales and other	13	91	(78)	(85.7)	%
Education and training	16	899	(883)	(98.2)	%
Consumer advertising and marketing solutions	219	189	30	15.9	%
Total revenues	\$6,327	\$10,620	\$ (4,294)	(40.4)	%

Total revenues decreased \$1,157,000, or 37.9% for the three months ended September 30, 2018, compared to the same prior year period, and \$4,294,000, or 40.4%, for the nine months ended September 30, 2018, compared to the same prior year period, due primarily to management's focus on reduction in sales and operations workforce as a means to cost savings and rebranding the business.

Revenues by Segment

The following table sets forth each operating segment's revenues for the periods presented. The period-to-period comparison is not necessarily indicative of future results.

	Three Months Ended		Change (Dollars)	Change (Percent)	
	September 30, 2018	September 30, 2017			
	(in thousands)				
NAPW Network	\$1,062	\$2,223	\$ (1,161)	(52.2)	%
PDN Network	779	759	20	2.6	%
China	54	69	(15)	(21.7)	%
Total revenues	\$1,895	\$3,051	\$ (1,157)	(37.9)	%

	Nine Months Ended		Change (Dollars)	Change (Percent)	
	September 30, 2018	September 30, 2017			
	(in thousands)				
NAPW Network	\$3,892	\$7,556	\$ (3,664)	(48.5)	%
PDN Network	2,237	2,165	72	3.2	%

China	197	899	(702)	(78.1)%
Total revenues	\$6,326	\$10,620	\$(4,294)	(40.4)%

During the three months ended September 30, 2018, our NAPW Network generated \$1,062,000 in revenue from membership fees and related services and product sales, compared to \$2,223,000 for the same period in the prior year, a decrease of \$1,161,000, or 52.2%. During the nine months ended September 30, 2018, our NAPW Network generated \$3,892,000 in revenue from membership fees and related services and product sales and other, compared to \$7,556,000 for the same period in the prior year, a decrease of \$3,664,000, or 48.5%. The decrease was mainly attributable to reductions in NAPW sales staff from 37 sales representatives on average during the first nine months of 2017 to 17 sales representatives on average during the first nine months of 2018. As a part of rebranding the NAPW business, the Company also re-tooled its lead-generation and other marketing activities.

During the three months ended September 30, 2018, our PDN Network generated \$779,000 in revenue, compared to \$759,000 for the same period in the prior year, an increase of \$20,000, or 2.6%. During the nine months ended September 30, 2018, our PDN Network generated \$2,237,000 in revenue, compared to \$2,165,000 for the same period in the prior year, an increase of \$72,000, or 3.3%. The increase was a result of improved operational efficiencies and improvement in concerted efforts in sales growth, client retention, and customer satisfaction

During the three months ended September 30, 2018, our China Operations generated \$54,000 in revenue, compared to \$69,000 for the same period in the prior year, a decrease of \$15,000 or 21.7%. During the nine months ended September 30, 2018, our China Operations generated \$197,000 in revenue, compared to \$899,000 for the same period in the prior year, a decrease of \$702,000 or 78.1%. We did not hold any major paid events in the first nine months of 2018 as most our efforts were devoted to future business development.

Costs and Expenses

The following tables set forth our costs and expenses for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Three Months Ended September 30, 2018 2017		Change (Dollars)	Change (Percent)	
	(in thousands)				
Costs and expenses:					
Cost of revenue	\$292	\$357	\$(65)	(18.2)	%
Sales and marketing	977	1,599	(622)	(38.9)	%
General and administrative	1,786	2,712	(926)	(34.1)	%
Litigation settlement	342	155	187	120.6	%
Goodwill impairment charge	5,251	-	5,251	100.0	%
Depreciation and amortization	650	757	(107)	(14.1)	%

Total costs and expenses \$9,298 \$5,580 \$ (3,718) (66.6)%

During the three months ended September 30, 2018, total costs and expenses were \$9,298,000, compared to \$5,580,000 for same period in the prior year, an increase of \$3,718,000 or 66.6%. We recorded a \$5,251,000 goodwill impairment charge in our NAPW segment in September 2018. Excluding goodwill impairment charge, the total costs and expenses were \$4,047,000, a decrease of \$1,533,000 compared to the same period in the prior year, primarily due to \$926,000 or 34.1% decrease in general and administrative expenses and a \$622,000 or 38.9% decrease in sales and marketing expenses.

	Nine Months Ended				
	September 30, 2018	2017	Change (Dollars)	Change (Percent)	
	(in thousands)				
Costs and expenses:					
Cost of revenue	\$917	\$1,214	\$(297)	(24.5)%	
Sales and marketing	3,094	5,760	(2,666)	(46.3)%	
General and administrative	6,202	9,564	(3,362)	(35.2)%	
Litigation settlement	342	155	187	120.6 %	
Goodwill impairment charge	5,251	9,920	(4,669)	(47.1)%	
Depreciation and amortization	1,989	2,294	(305)	(13.3)%	
Total costs and expenses	\$17,795	\$28,907	\$(11,112)	(38.4)%	

During the nine months ended September 30, 2018, total costs and expenses were \$17,795,000, compared to \$28,907,000 for the same period in the prior year, a decrease of \$11,112,000, or 38.4%. The decrease is primarily a result of a \$4,669,000 or 47.1% decrease in goodwill impairment charge related to our NAPW segment, a \$3,362,000 or 35.2% decrease in general and administrative expenses, and a \$2,666,000 or 46.3% decrease in sales and marketing expenses.

Operating Expenses

Cost of revenue: Cost of revenues decreased during the three months ended September 30, 2018 to \$292,000, compared to \$357,000 for the same period in the prior year, a decrease of \$65,000, or 18.2%. During nine months ended September 30, 2018, cost of revenues was \$917,000, compared to \$1,214,000 for the same period in the prior year, a reduction of \$297,000 or 24.5%. The decrease is *in tandem* with lower revenues.

Sales and marketing expenses: Sales and marketing expenses during the three months ended September 30, 2018 were \$977,000, compared to \$1,599,000 for the same period in the prior year, a decrease of \$622,000, or 38.9%. The decrease was mostly attributable to a \$239,000 decrease in personnel cost due to sales force reduction in our NAPW segment, a \$154,000 reduction in sales commission expenses, and a \$153,000 reduction in lead spending in our NAPW segment. Sales and marketing expenses for the nine months ended September 30, 2018 were \$3,094,000, compared to \$5,760,000 for the same period in the prior year, a decrease of \$2,666,000, or 46.3%. The decrease was primarily due to a \$962,000 reduction in lead spending in our NAPW segment, an \$869,000 decrease in personnel costs due to sales force reduction in our NAPW segment, and a \$461,000 reduction in sales commission expenses.

General and administrative expenses: General and administrative expenses for the three months ended September 30, 2018 were \$1,786,000, compared to \$2,712,000 for the same period in the prior year, a decrease of \$926,000 or 34.1%. The decrease was mainly attributable to a \$480,000 reduction in personnel costs primarily due to a large

reduction in force in our NAPW segment in September 2017, a \$314,000 reduction in rent expenses because we centralized our US operations in Chicago and executed a work-from-home model for certain employees at our NAPW segment in 2018, and a \$115,000 decrease in compensation to our independent board directors. General and administrative expenses for the nine months ended September 30, 2018 were \$6,602,000, compared to \$9,564,000 for the same period in the prior year, a decrease of \$3,362,000 or 35.2%. The decrease was mainly attributable to an \$890,000 reduction in legal expenses, an \$888,000 reduction in personnel costs, a \$366,000 decrease in compensation to our independent board directors, a \$352,000 reduction in rent expenses, and a \$263,000 decrease in consulting fees.

Litigation settlement: Litigation settlement for the three and nine months ended September 30, 2018 represents primarily potential settlement accrued for various cases. Litigation settlement for the three and nine months ended September 30, 2017 represents primarily \$146,000 in expenses that were accrued for the potential back-pay related to the “NLRB” legal proceeding (please refer to “Legal Proceedings” for details in the previous 10-Q). Since then, the Company settled its “NLRB” litigation and paid full settlement amount of \$139,000 as of September 30, 2018.

Goodwill impairment charge: As a result of the recurring operating losses incurred in NAPW since its acquisition in September 2014, the Company undertook a review of the carrying amount of its goodwill as of June 30, 2017, and as of September 30, 2018. Accordingly, the Company recorded a goodwill impairment charge of \$9,920,000 for the nine months ended September 30, 2017, and \$5,251,000 for the three and nine months ended September 30, 2018.

Depreciation and amortization expenses: Depreciation and amortization expenses for the three months ended September 30, 2018 were \$650,000, compared to \$757,000 for the same period in the prior year, a decrease of \$107,000 or 14.1%. Depreciation and amortization expenses for the nine months ended September 30, 2018 were \$1,989,000, compared to \$2,294,000 for the same period in the prior year, a decrease of \$305,000 or 13.3%. The decrease for the three and nine months ended September 30, 2018 was mainly attributable to a reduction in amortization expenses resulting from the amortization of the intangible assets as listed in Note 5 on page 10 of this quarterly report.

Costs and Expenses by Segment

The following table sets forth each operating segment's costs and expenses for the periods presented. The period-to-period comparison is not necessarily indicative of future results.

	Three Months		Change (Dollars)	Change (Percent)	
	Ended September 30, 2018	2017			
	(in thousands)				
NAPW Network	\$7,225	\$3,443	\$ 3,782	109.8	%
PDN Network	712	719	(7)	(1.0)	%
China	502	418	85	20.4	%
Corporate Overhead	860	1,000	(141)	(14.1)	%
Total costs and expenses	\$9,299	\$5,580	\$ 3,719	66.6	%

	Nine Months		Change (Dollars)	Change (Percent)	
	Ended September 30, 2018	2017			
	(in thousands)				
NAPW Network	\$11,253	\$20,742	\$(9,489)	(45.7)	%
PDN Network	2,222	2,233	(11)	(0.5)	%
China	1,471	1,186	286	24.1	%
Corporate Overhead	2,850	4,748	(1,897)	(40.0)	%
Total costs and expenses	\$17,796	\$28,907	\$(11,111)	(38.4)	%

NAPW Network: During the three months ended September 30, 2018, total costs and expenses in our NAPW segment were \$7,225,000, compared to \$3,443,000 for the same period in the prior year, an increase of \$3,782,000 or 109.8%. The increase was primarily due to a \$5,251,000 goodwill impairment charge recorded on September 30, 2018. Excluding this non-recurring and non-cash expense, the total costs and expenses were \$1,974,000 for the three months ended September 30, 2018, a decrease of \$1,469,000 compared to the same period in the prior year. The decrease was a result of continued cost cutting efforts that began in the third quarter of 2017, mainly reduction in the work force that resulted in a \$423,000 decrease in personnel costs, a \$327,000 reduction in rent expenses because we centralized our US operations in Chicago and executed a work-from-home model for certain employees at our NAPW segment in 2018, a \$276,000 reduction in lead generation spending, a \$140,000 decrease in sales commission expense, and a \$61,000 decrease in consulting and outside services costs. During the nine months ended September 30, 2018, total costs and expenses were \$11,253,000, compared to \$20,742,000 for the same period in the prior year, a decrease of \$9,489,000 or 45.7%. The decrease was a result of a \$4,669,000 decrease in goodwill impairment charge, a \$1,835,000 reduction in personnel costs, a \$962,000 savings in lead generation spending, a \$462,000 reduction in sales commissions expenses, a \$388,000 reduction in rent expenses because we centralized our US operations in Chicago and executed a work-from-home model for certain employees at our NAPW segment in 2018, a \$258,000

decrease in consulting and outside services costs, and a \$156,000 decrease in credit card fees.

PDN Network: During the three months ended September 30, 2018, total costs and expenses in our PDN segment were flat compared to the same period in the prior year, totaling \$712,000, and \$719,000, respectively. During the nine months ended September 30, 2018, total costs and expenses were also flat compared to the same period in the prior year, totaling \$2,222,000, and \$2,233,000, respectively.

China Operations: During the three months ended September 30, 2018, total costs and expenses in our China operations were \$502,000, compared to \$418,000 for the same period in the prior year, an increase of \$85,000 or 20.4%. The primary reason for the increase was a \$61,000 increase in marketing and advertising expenses. During the nine months ended September 30, 2018, total costs and expenses were \$1,471,000, compared to \$1,186,000 for the same period in the prior year, an increase of \$286,000 or 24.1%. The increase was primarily driven by a \$290,000 increase in personnel costs and a \$102,000 increase in marketing and advertising costs, partially offset by lower cost of sales due to a reduction in revenue.

Corporate Overhead: During the three months ended September 30, 2018, total costs and expenses incurred by our Corporate Overhead segment were \$860,000, compared to \$1,000,000 for the same period in the prior year, a decrease of \$141,000 or 14.1%. As we continue our efforts to reduce corporate level expenses, during the third quarter of 2018, we reduced compensation to our independent board directors by \$115,000, and corporate personnel cost by \$104,000. During the nine months ended September 30, 2018, total costs and expenses were \$2,850,000, compared to \$4,748,000 during the same period in the prior year, a decrease of \$1,897,000 or 40.0%. Such a large decrease is a result of a decrease in legal costs by \$974,000, reduction in compensation to our independent board directors by \$366,000, reduction of \$200,000 in corporate personnel costs, a \$94,000 reduction of stock-based compensation, an \$89,000 decrease of audit and accounting fees, and an \$85,000 reduction in corporate travel costs.

Income Tax Expense (Benefit)

Three Months Ended				
September 30,		Change	Change	
2018	2017	(Dollars)	(Percent)	
(in thousands)				
Total	\$(190)	\$(201)	\$ 11	(5.5)%

Nine Months Ended				
September 30,		Change	Change	
2018	2017	(Dollars)	(Percent)	
(in thousands)				
Total	\$(562)	\$(1,126)	\$ 564	(50.1)%

The effective income tax rate for the three months ended September 30, 2018 and 2017 was 2.6% and 8.0%, respectively, resulting in a \$190,000, and \$201,000 income tax benefit, respectively. The effective income tax rate for the nine months ended September 30, 2018 and 2017 was 4.9% and 6.2%, respectively, resulting in a \$562,000 and \$1,126,000 income tax benefit, respectively. The difference in the effective income tax rate for the three and nine months ended September 30, 2018, compared to the three and nine months ended September 30, 2017, is mainly attributable to the decrease in tax rates pursuant to the U.S. Tax Cuts and Jobs Act, an impairment charge recognized on NAPW's goodwill, change in the valuation allowance and the foreign tax rate differential due to the Company's China Operations. Management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a valuation allowance as of September 30, 2018 and December 31, 2017.

Net Loss from Continuing Operations by Segment

The following table sets forth each operating segment's net loss from continuing operations for the periods presented. The period-to-period comparison is not necessarily indicative of future results.

Three Months Ended				
September 30,		Change	Change	
2018	2017	(Dollars)	(Percent)	

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	(in thousands)			
NAPW Network	\$(5,894)	\$(1,126)	\$(4,768)	423.5 %
PDN Network	67	51	16	31.2 %
China	(429)	(310)	(119)	38.4 %
Corporate Overhead	(933)	(933)	-	0.0 %
Consolidated Net Loss from continuing operations	\$(7,189)	\$(2,318)	\$(4,871)	210.2 %

	Nine Months Ended			
	September 30,		Change	Change
	2018	2017	(Dollars)	(Percent)
	(in thousands)			
NAPW Network	\$(6,952)	\$(12,354)	\$ 5,402	(43.7)%
PDN Network	31	(51)	82	(161.2)%
China	(1,241)	(295)	(946)	320.7 %
Corporate Overhead	(2,692)	(4,456)	1,764	(39.6)%
Consolidated Net Loss from continuing operations	\$(10,854)	\$(17,156)	\$ 6,302	(36.7)%

As the result of the factors discussed above, during the three and nine months ended September 30, 2018 we incurred a net loss from continuing operations of \$7,189,000 and \$10,854,000 respectively, an increase of 210.2% and a decrease of 36.7% from net loss from continuing operations of \$2,318,000 and \$17,156,000 during the three and nine months ended September 30, 2017, respectively. The \$4,871,000 increase in net loss for the three months ended September 30, 2018 was primarily driven by a \$5,251,000 goodwill impairment charge for our NAPW segment that we recorded on September 30, 2018, and a \$1,161,000 decrease in revenues from membership fees, related services at our NAPW segment, partially offset by our continuous cost cutting efforts, primarily a decrease of \$926,000 in general and administrative expenses and a decrease of \$622,000 in sales and marketing expenses. The \$6,302,000 decrease in net loss for the nine months ended September 30, 2018 was primarily a result of a \$4,669,000 decrease in goodwill impairment charge related to our NAPW segment, a \$3,362,000 decrease in general and administrative expenses, and a \$2,666,000 decrease in sales and marketing expenses, partially offset by a \$4,294,000 decrease in overall revenue period-over-period, mainly a \$3,664,000 reduction in NAPW segment revenues from membership fees, related services and product sales, and a \$702,000 reduction in China Operations revenues from events and IAW memberships.

NAPW Network. During the three and nine months ended September 30, 2018, our NAPW segment incurred a net loss of \$5,894,000 and \$6,952,000, respectively, compared to a net loss of \$1,126,000 and \$12,354,000 for the three and nine months ended September 30, 2017, respectively. The \$4,768,000 increase in net loss for the three months ended September 30, 2018 was primarily driven by a \$5,251,000 goodwill impairment charge recorded on September 30, 2018, and a \$1,161,000 decrease in revenues from membership fees, related services and product sales period-over-period, partially offset by continuing decrease in overall spending, mainly a \$423,000 decrease in personnel costs due to sales force reduction, a \$327,000 reduction in rent expenses because we centralized our US operations in Chicago and executed a work-from-home model for certain employees at our NAPW segment in 2018, and a \$276,000 reduction in lead generation spending. The \$5,402,000 decrease in net loss for the nine months ended September 30, 2018 was primarily driven by a \$4,669,000 decrease in goodwill impairment charge related to our NAPW segment, and overall cost cutting efforts, mainly a \$1,835,000 reduction in personnel costs, a \$962,000 savings in lead generation spending, a \$462,000 reduction in sales commissions expenses, a \$388,000 reduction in rent expenses because we centralized our US operations in Chicago and executed a work-from-home model for certain employees at our NAPW segment in 2018, partially offset by a \$3,664,000 decrease in revenues from membership fees, related services and product sales period-over-period.

PDN Network. During the three months ended September 30, 2018, our PDN segment generated a net income of \$67,000, compared to a net income of \$51,000 for the three months ended September 30, 2017. The increase in net income of \$16,000 was mainly a result of a \$20,000 increase in revenue, while the overall costs and expenses decreased period-to-period by \$7,000. During the nine months ended September 30, 2018, we generated a net income of \$31,000, compared to a net loss of \$51,000 for the nine months ended September 30, 2017. The increase in net income of \$82,000 was primarily attributable to a \$71,000 increase in revenue, a \$40,000 decrease in sales and marketing expenses, and a \$17,000 decrease in depreciation and amortization expenses.

China Operations. During the three months ended September 30, 2018, our China Operations incurred a net loss of \$429,000, compared to a net loss of \$310,000 for the comparable period in the prior year. The increase in net loss of \$119,000 was mainly a result of a \$15,000 decrease in revenue, while overall expenses were higher by \$85,000, mainly due to a \$61,000 increase in marketing and advertising expenses. During the nine months ended September 30, 2018, we incurred a net loss of \$1,241,000, compared to a net loss of \$295,000 for the prior year period. The increase in net loss of \$946,000 was primarily driven by a \$701,000 decrease in revenue, while overall expenses grew by \$286,000, mainly due to a \$290,000 increase in personnel costs and a \$102,000 increase in marketing and advertising costs, partially offset by lower cost of sales due to a reduction in revenue.

Corporate Overhead. During the three months ended September 30, 2018, our Corporate Overhead segment incurred same amount of net loss of \$933,000, compared to the same period ended September 30, 2017. While the overall costs of expenses actually decreased by \$141,000 period over period as we continued our efforts to reduce corporate level expenses, primarily compensation to our independent board directors (reduction in \$115,000), and corporate personnel costs (reduction in \$104,000), in the third quarter of 2018 we recorded an adjustment to income tax expenses of \$73,000, due to a change in the projected full-year tax rate. During the nine months ended September 30, 2018, we incurred a net loss of \$2,692,000, compared to a net loss of \$4,456,000 for the prior year's corresponding period. The decrease in net loss of \$1,764,000 was primarily driven by a reduction in legal costs by \$974,000, reduction of compensation to our independent board directors by \$366,000, reduction in \$200,000 in corporate personnel costs,

\$94,000 reduction in stock-based compensation, an \$89,000 decrease of audit and accounting fees, and an \$85,000 reduction in corporate travel costs.

Liquidity and Capital Resources

The following table summarizes our liquidity and capital resources as of September 30, 2018 and December 31, 2017, respectively, and is intended to supplement the more detailed discussion that follows:

	September 30, 2018	December 31, 2017
	(in thousands)	
Cash and cash equivalents	\$ 1,653	\$ 2,926
Working (deficiency) capital	\$(2,069)	\$ (1,140)

Our principal sources of liquidity are our cash and cash equivalents, including the net proceeds from the issuances of common stock to CFL and other investors. As of September 30, 2018 and December 31, 2017, we had working capital deficiency of approximately \$2,069,000 and \$1,140,000. During the nine months ended September 30, 2018, we generated a net loss from continuing operations of approximately \$10,854,000 (including \$5,251,000 goodwill impairment charge recorded during third quarter of 2018), used cash in continuing operations of approximately \$4,229,000, and we expect that we will continue to generate operating losses for the foreseeable future.

We are closely monitoring operating costs and capital requirements. We also had cost reductions in the areas of staffing levels and operating budgets.

On January 29, 2018, the Company sold 380,295 shares of common stock at a price of \$3.91 per share for gross proceeds of \$1,486,953. The per share purchase price reflected the closing price of the Company's common stock on January 24, 2018. The purchaser is Mr. Shengqi Cai, an individual and a resident of the People's Republic of China.

On June 25, 2018, the Company sold 496,510 shares of common stock at a price of \$2.89 per share for gross proceeds of \$1,434,914. The purchaser is China EWI International Finance Group Co., Limited, a limited liability company based in the People's Republic of China.

We currently anticipate that our available funds will be sufficient to meet our working capital requirements through November of 2019. Since the Company expects that it will continue to generate operating losses for the mid-term, the Company may require additional funding sources or need to further decrease expenses in order to conserve liquidity. Future efforts to raise additional funds may not be successful or they may not be available on acceptable terms, if at all. In addition, due to China's foreign currency control, the Company may not be able to move money between China

and the U.S. freely. The People's Bank of China (PBOC) and State Administration of Foreign Exchange (SAFE) regulate the flow of foreign exchange in and out of the country. We need to get approval from Chinese government to move money from China to the U.S. which might take extra time.

We collect membership fees generally at the commencement of the membership term or at renewal periods thereafter. The memberships we sell are for one year and we defer recognition of the revenue from membership sales and renewals and recognize it ratably over the twelve month period. Starting January 2, 2018, we also offer a monthly membership for IAW in the USA for which we collect a fee on a monthly basis. Our PDN Network also sells recruitment services to employers, generally on a one year contract basis. This revenue is also deferred and recognized over the life of the contract. Our payment terms for PDN Network and Noble Voice customers range from 30 to 60 days. We consider the difference between the payment terms and payment receipts a result of transit time for invoice and payment processing and to date have not experienced any liquidity issues as a result of the payments extending past the specified terms. Cash and cash equivalents and short term investments consist primarily of cash on deposit with banks and investments in money market funds, corporate and municipal debt and U.S. government and U.S. government agency securities.

	Nine Months Ended September 30, 2018 2017 (in thousands)	
Cash provided by (used in) continuing operations		
Operating activities	\$(4,229)	\$(6,388)
Investing activities	(96)	(298)
Financing activities	2,922	3,502
Effect of exchange rate fluctuations on cash and cash equivalents	(88)	(1)
Cash provided by (used in) discontinued operations:		
Operating activities	18	(91)
Investing activities	200	-
Net decrease in cash and cash equivalents	\$(1,273)	\$(3,276)

Net Cash Used in Operating Activities

For the nine months ended September 30, 2018, net cash used in operating activities in continuing operations was \$4,229,000. We had a net loss of \$10,854,000, deferred tax benefit of \$375,000 which was offset by non-cash NAPW goodwill impairment charge of \$5,251,000, depreciation and amortization of \$1,989,000, stock-based compensation expense of \$637,000, and a write off of security deposit of \$149,000. Changes in operating assets and liabilities used \$1,098,000 of cash during the nine months ended September 30, 2018, consisting primarily of decreases in deferred revenue and accrued expenses, partially offset by increases in accounts receivable and accounts payable.

Net cash used in operating activities in continuing operations for the nine months ended September 30, 2017 was \$6,388,000. We had a net loss of \$17,156,000 during the nine months ended September 30, 2017, a deferred tax benefit of \$1,099,000 which was offset by non-cash NAPW goodwill impairment charge of \$9,920,000, depreciation and amortization of \$2,294,000, and stock-based compensation expense of \$731,000. Changes in operating assets and liabilities used \$1,108,000 of cash during the nine months ended September 30, 2017, consisting primarily of decreases in accounts payable and deferred revenue, partially offset by increases in prepayments, and accrued expenses.

Net Cash (Used in) Provided by Investing Activities

Net cash used in investing activities in continuing operations for the nine months ended September 30, 2018 was \$96,000, mainly consisting of \$89,000 invested to develop technology.

Net cash used in investing activities in continuing operations for the nine months ended September 30, 2017 was \$298,000, consisting of \$157,000 invested in property and equipment, and \$123,000 invested to develop new technology.

Net Cash Provided by Financing Activities

Net cash provided by financing activities in continuing operations during the nine months ended September 30, 2018 was \$2,922,000, consisting of \$1,487,000 in gross proceeds from the January 29, 2018 issuance and sale of 380,295 shares of common stock at a price of \$3.91 per share to Mr. Shengqi Cai, an individual and a resident of the People's Republic of China, and \$1,435,000 in gross proceeds from the June 25, 2018 sale of 496,510 shares of common stock at a price of \$2.89 per share to China EWI International Finance Group Co., Limited, a limited liability company based in the People's Republic of China.

Net cash provided by financing activities in continuing operations during the nine months ended September 30, 2017 was \$3,502,000, consisting of \$3,000,000 in gross proceeds from the January 18, 2017 issuance, \$646,000 refund of merchant reserve, partially offset by a \$144,000 payment of offering costs to third-party professionals.

Net Cash Used in Discontinued Operations

On May 25, 2018 we sold our Noble Voice operations.

Net cash provided by operating activities in discontinued operations for the nine months ended September 30, 2018 was \$18,000. Net cash provided by investing activities for the same period was \$200,000, consisting of \$200,000 in gross proceeds from the sale of Noble Voice operations.

Net cash used in operating activities in discontinued operations for the nine months ended September 30, 2017 was \$91,000.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

Pursuant to the provisions of the Jumpstart Our Business Startups Act (the “**JOBS Act**”), as an “emerging growth company,” we may delay adoption of new or revised accounting standards applicable to public companies until the earlier of the date that (i) we are no longer an emerging growth company or (ii) we affirmatively and irrevocably opt out of the extended transition period for complying with such new or revised accounting standards. We have elected to take advantage of the benefits of this extended transition period. Our consolidated financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. Upon issuance of new or revised accounting standards that apply to our consolidated financial statements, we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting guidelines.

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

We base our estimates on our historical experience, knowledge of our business and industry, current and expected economic conditions, the attributes of our products, the regulatory environment, and in certain cases, the results of outside appraisals. We periodically re-evaluate our estimates and assumptions with respect to these judgments and modify our approach when circumstances indicate that modifications are necessary. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

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

There have been no material changes to the Company's critical accounting policies and estimates as compared to the critical accounting policies and estimates described in the 2017 Annual Report, which we believe are the most critical to our business and the understanding of our results of operations and affect the more significant judgments and estimates that we use in the preparation of our financial statements.

Recent Accounting Pronouncements

See Note 3 to our unaudited condensed consolidated financial statements regarding recent accounting pronouncements.

Special Note Regarding Forward-Looking Statements

This Quarterly Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements concern expectations, beliefs, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Specifically, this Quarterly Report contains forward-looking statements regarding:

- our beliefs regarding our ability to create enhanced value for our members and customers;
- our beliefs regarding the relation between the number of members or registered users and our revenues;
- our expectations regarding future changes in our salesforce;
- our expectations regarding the changes in revenues in 2018, 2019 and 2020;
- our expectations regarding future increases in sales and marketing costs and general and administrative expenses; and
- our beliefs regarding our liquidity requirements, the availability of cash and capital resources to fund our business in the future and intended use of liquidity.

These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. The most important factors that could prevent us from achieving our goals, and cause the assumptions underlying forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, but are not limited to, the following:

- our ability to raise funds in the future to support operations failure to realize synergies and other financial benefits from mergers and acquisitions within expected time frames, including increases in expected costs or difficulties related to integration of merger and acquisition partners;
- inability to identify and successfully negotiate and complete additional combinations with potential merger or acquisition partners or to successfully integrate such businesses;
- our history of operating losses;
- we may not be able to reverse the significant decline in our revenues;
- our limited operating history in a new and unproven market;
- increasing competition in the market for online professional networks;
- our ability to comply with increasing governmental regulation and other legal obligations related to privacy;
- our ability to adapt to changing technologies and social trends and preferences;
- our ability to attract and retain a sales and marketing team, management and other key personnel and the ability of that team to execute on the Company's business strategies and plans;
- our ability to obtain and maintain protection for our intellectual property;
- any future litigation regarding our business, including intellectual property claims;
- general and economic business conditions; and
- legal and regulatory developments.

The foregoing list of important factors may not include all such factors. You should consult other disclosures made by the Company (such as in our other filings with the SEC or in company press releases) for additional factors, risks and uncertainties that may cause actual results to differ materially from those projected by the Company. Please refer to Part II, Item 1A, "*Risk Factors*" of this Quarterly Report and to Part I, Item 1A, "*Risk Factors*" of our 2017 Annual Report for additional information regarding factors that could affect our results of operations, financial condition and cash flow. You should consider these factors, risks and uncertainties when evaluating any forward-looking statements and you should not place undue reliance on any forward-looking statement. Forward-looking statements represent our views as of the date of this Quarterly Report, and we undertake no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date of this Quarterly Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of September 30, 2018, our management conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures; as is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “ Exchange Act”). We recognize that there are material weaknesses related to our internal controls. Therefore, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective, as of the end of the period covered by this Quarterly Report. This includes ensuring that information required to be disclosed was recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Furthermore, to provide reasonable assurance that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the third quarter of 2018, we continued to undertake certain initiatives to improve and remediate material weaknesses related to our internal control over financial reporting that were identified for the year ended December 31, 2017. Specifically, we continued implementing policies to more fully segregate incompatible duties within our accounting and financial reporting functions and enhance the overall internal control structure, including a more rigorous and transparent expense approval process, and segregating check signing ability for finance personnel; we continued to implement more effective financial reporting process that included monthly and quarterly closing check-lists and monthly review of the financial reports by the Company’s Finance Department. We also continued to implement certain measures to help remediate material weaknesses in our China operations that we identified near the end of the fourth quarter of 2017, primarily improving standard processes and controls over revenue recognition of service income. There have been no other changes in our internal control over financial reporting during the third quarter of 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Our management had concluded that, as of September 30, 2018, we did not maintain effective controls over the preparation, review, presentation and disclosure of our financial statements. Specifically, we noted the following:

The Company lacks sufficient qualified personnel with the relative U.S. GAAP knowledge to review conclusions reached regarding the accounting for complex transactions and related analyses to record amounts resulting from such transactions in our financial records.

We did not maintain an effective financial reporting process to prepare financial statements in accordance with U.S. GAAP. Specifically, our process lacked timely and complete financial statement reviews and procedures to ensure all required disclosures were made in our financial statements.

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

PART II

ITEM 1. LEGAL PROCEEDINGS

In a letter dated October 12, 2017, White Winston Select Asset Funds ("White Winston") threatened assertion of claims against the Company. The letter alleges that White Winston suffered \$2,241,958 in damages as a result of the Company's alleged conduct that caused a delay in White Winston's ability to sell shares in the Company during a period when the Company's stock price was generally falling. The Company investigated White Winston's claims and communicated to White Winston that the Company denies liability for any such claims. White Winston filed an action, entitled White Winston Select Asset Funds, LLC v. Professional Diversity Network, Inc., No. 18-cv-10844, on April 30, 2018 in the United States District Court for the District of Massachusetts making similar claims and alleging that it suffered a loss of \$1,708,233 as a result of the delay in selling shares. White Winston seeks to recover compensatory damages, double or treble damages under M.G.L. ch. 93A, and costs and attorneys' fees. White Winston informed the Company on October 23, 2018 that they cannot meet the jurisdiction requirement for federal court and are therefore voluntarily dismissing this federal court case and re-filing a new case in state court.

NAPW is a defendant in a Nassau County (NY) Supreme Court case, whereby TL Franklin Avenue Plaza LLC has sued NAPW with respect to NAPW's former Garden City NY Premises. NAPW had surrendered the Premises to the Landlord, and the Landlord is suing NAPW for the balance of the rent due under the Lease Term – which term is less than one year remaining. The case is currently being litigated, and we are currently in the pleadings phase of the litigation.

The Company is a party to a proceeding captioned Gerbie, et al. v. Professional Diversity Network, Inc. (U.S. Dist. Ct., N.D. Ill.), a putative class action alleging violations of the Telephone Consumer Protection Act. A settlement has been reached and case has been dismissed by the court. The Company believes that its practices and procedures were compliant with the Telephone Consumer Protection Act and admitted no fault.

NAPW and PDN are two of the named Respondents in a Superior Court of New Jersey Proceeding, and they are being sued by Shore Digital LLC. The Petitioner in this matter, Shore Digital LLC is alleging that both NAPW and PDN are in breach of contract, and the matter involves the payment of the entire value of the contract plus counsel fees, interests, and costs owing to the Petitioner. The case is on-going, and discussions are taking place to assess the company's options to settle the matter without further litigation.

The Company and its wholly-owned subsidiary, NAPW, Inc., are parties to a proceeding captioned Deborah Bayne, et al. vs. NAPW, Inc. and Professional Diversity Network, Inc., No. 18-cv-3591 (E.D.N.Y.), filed in June of 2018 and alleging violations of the Fair Labor Standards Act and certain provisions of the New York Labor Law. The Company disputes that it or its subsidiary violated the applicable laws or that either entity has any liability and intends to vigorously defend against these claims. The matter is in the earliest stages of discovery. The potential financial impact on the Company is inherently uncertain at this point.

The Company is a party to a proceeding captioned Jacqueline M. Jefferson v. Noble Voice, No. 440-2018-06979 (EEOC), filed with the Equal Employment Opportunity Commission ("EEOC") on July 10, 2018 and alleging violations of Title VII and the Equal Pay Act of 1963, where an employee alleges she was terminated by the Company due to her age on May 25, 2018. Ms. Jefferson's termination was as a result of the sale of the Noble Voice business on May 25, 2018. The Company and Jacqueline Jefferson are in the process of mediation.

ITEM 1A. RISK FACTORS

Smaller reporting companies are not required to provide the information required by this item.

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

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1 Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) or Rule 15d- 14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or Rule 15d- 14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Labels Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

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

PROFESSIONAL DIVERSITY NETWORK, INC.

Date: November 19, 2018 By: */s/ Jiangping (Gary) Xiao*

Name: Jiangping (Gary) Xiao
Chief Financial Officer

Title: (On behalf of the Registrant and as principal financial
officer and principal accounting officer)

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