

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2020-08-13** | Period of Report: **2020-06-30**  
SEC Accession No. [0001213900-20-021859](#)

[\(HTML Version on secdatabase.com\)](#)

FILER

**Recruiter.com Group, Inc.**

CIK: **1462223** | IRS No.: **263090646** | State of Incorp.: **NV** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **000-53641** | Film No.: **201099272**  
SIC: **7371** Computer programming services

Mailing Address

100 WAUGH DR. SUITE 300  
HOUSTON TX 77007

Business Address

100 WAUGH DR. SUITE 300  
HOUSTON TX 77007  
855-931-1500

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

**FORM 10-Q**

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: June 30, 2020

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_:

Commission file number: 000-53641

**RECRUITER.COM GROUP, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**26-3090646**

(I.R.S. Employer  
Identification No.)

**100 Waugh Dr. Suite 300, Houston, Texas**

(Address of principal executive offices)

**77007**

(Zip Code)

Issuer's telephone number **(855) 931-1500**

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

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of Each Class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
None	N/A	N/A

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files) Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of August 7, 2020, the number of shares of the registrant's common stock outstanding was 5,131,508.

---

---

	<b><u>Page number</u></b>
<b><u>Part I - Financial Information</u></b>	
<u>Item 1. Financial Statements (Unaudited)</u>	1
<u>Condensed Consolidated Balance Sheets as of June 30, 2020 (unaudited) and December 31, 2019</u>	1
<u>Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2020 and 2019</u>	2
<u>Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity for the six months ended June 30, 2020 and 2019</u>	3
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and 2019</u>	4
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	28
<u>Item 4. Controls and Procedures</u>	28
<b><u>Part II - Other Information</u></b>	
<u>Item 1. Legal Proceedings</u>	29
<u>Item 1A. Risk Factors</u>	29
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
<u>Item 3. Defaults Upon Senior Securities</u>	29
<u>Item 4. Mine Safety Disclosures</u>	29
<u>Item 5. Other Information</u>	29
<u>Item 6. Exhibits</u>	30

## PART I: FINANCIAL INFORMATION

### Item 1. Financial Statements

#### Recruiter.com Group, Inc. Condensed Consolidated Balance Sheets

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	<u>(Unaudited)</u>	
Assets		
Current assets:		
Cash	\$ 1,731,099	\$ 306,252
Accounts receivable, net of allowance for doubtful accounts of \$33,000 and \$21,000, respectively	583,364	864,415
Prepaid expenses and other current assets	94,904	98,503
Investments - available for sale marketable securities	9,017	44,766
<b>Total current assets</b>	<b>2,418,384</b>	<b>1,313,936</b>
Property and equipment, net of accumulated depreciation of \$1,251 and \$673, respectively	2,212	2,790
Right of use asset - related party	177,331	214,020
Intangible assets, net	1,114,209	1,432,554
Goodwill	3,517,315	3,517,315
<b>Total assets</b>	<b>\$ 7,229,451</b>	<b>\$ 6,480,615</b>
Liabilities and Stockholders' (Deficit) Equity		
Current liabilities:		
Accounts payable	\$316,812	\$ 621,389
Accounts payable - related parties	932,514	825,791
Accrued expenses	387,839	2,276,444
Accrued compensation	405,950	276,213
Accrued interest	13,550	985
Liability on sale of future revenues, net of discount of \$69,832 and \$135,641, respectively	208,044	404,101
Advances on receivables	68,156	-
Deferred payroll taxes	35,061	-
Other liabilities	14,493	-
Loans payable - current portion	27,335	25,934
Convertible notes payable, net of unamortized discount and costs of \$2,804,049 and \$0, respectively	149,076	-
Refundable deposit on preferred stock purchase	285,000	285,000
Warrant derivative liability	9,783,912	612,042
Lease liability - current portion - related party	73,378	73,378
Deferred revenue	86,689	145,474
<b>Total current liabilities</b>	<b>12,787,809</b>	<b>5,546,751</b>
Lease liability - long term portion - related party	103,953	140,642
Loans payable - long term portion	461,650	77,866
<b>Total liabilities</b>	<b>13,353,412</b>	<b>5,765,259</b>

Commitments and contingencies (Note 11)	-	-
Stockholders' (Deficit) Equity:		
Preferred stock, 10,000,000 shares authorized, \$0.0001 par value: undesignated: 7,013,600 shares authorized; no shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	-	-
Preferred stock, Series D, \$0.0001 par value; 2,000,000 shares authorized; 536,595 and 454,546 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	55	46
Preferred stock, Series E, \$0.0001 par value; 775,000 shares authorized; 731,845 and 734,986 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	74	74
Preferred stock, Series F, \$0.0001 par value; 200,000 shares authorized; 64,382 and 139,768 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	7	14
Common stock, \$0.0001 par value; 250,000,000 shares authorized; 5,009,508 and 3,619,658 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	501	362
Additional paid-in capital	21,787,410	18,203,048
Accumulated deficit	(27,912,008)	(17,488,188)
Total stockholders' (deficit) equity	<u>(6,123,961)</u>	<u>715,356</u>
Total liabilities and stockholders' (deficit) equity	<u>\$ 7,229,451</u>	<u>\$ 6,480,615</u>

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

**Recruiter.com Group, Inc.**  
Condensed Consolidated Statements of Operations  
(Unaudited)

	<b>Three Months Ended June 30, 2020</b>	<b>Three Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2020</b>	<b>Six Months Ended June 30, 2019</b>
Revenue	\$ 1,853,414	\$ 1,972,481	\$ 4,166,537	\$ 2,135,783
Cost of revenue (including related party costs of \$298,712, \$794,135, \$954,096 and \$794,135, respectively)	1,418,242	1,461,922	3,169,438	1,461,922
<b>Gross profit</b>	<b>435,172</b>	<b>510,559</b>	<b>997,099</b>	<b>673,861</b>
<b>Operating expenses:</b>				
Sales and marketing	15,068	2,969	40,311	2,969
Product development	57,401	44,934	140,494	94,788
Amortization of intangibles	159,173	-	318,346	-
General and administrative (including share based compensation expense of \$709,230, \$1,481,322, \$1,650,202 and \$1,568,027 respectively)	1,626,362	2,653,432	3,775,305	3,073,260
<b>Total operating expenses</b>	<b>1,858,004</b>	<b>2,701,335</b>	<b>4,274,456</b>	<b>3,171,017</b>
<b>Loss from operations</b>	<b>(1,422,832)</b>	<b>(2,190,776)</b>	<b>(3,277,357)</b>	<b>(2,497,156)</b>
<b>Other income (expenses):</b>				
Interest expense	(203,874)	(14,340)	(248,080)	(81,365)
Initial derivative expense	(3,340,554)	-	(3,340,554)	-
Change in derivative value due to anti-dilution adjustments	(2,642,175)	-	(2,642,175)	-
Change in fair value of derivative liability	(339,088)	17,627	(904,176)	17,627
Grant income	7,262	-	7,262	-
Net recognized loss on marketable securities	46	(92,500)	(18,740)	(101,417)
<b>Total other income (expenses)</b>	<b>(6,518,383)</b>	<b>(89,213)</b>	<b>(7,146,463)</b>	<b>(165,155)</b>
<b>Loss before income taxes</b>	<b>(7,941,215)</b>	<b>(2,279,989)</b>	<b>(10,423,820)</b>	<b>(2,662,311)</b>
Provision for income taxes	-	-	-	-
<b>Net loss</b>	<b>(7,941,215)</b>	<b>(2,279,989)</b>	<b>(10,423,820)</b>	<b>(2,662,311)</b>
<b>Net loss attributable to the noncontrolling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30,716)</b>
<b>Net loss attributable to the controlling interest before preferred stock dividends</b>	<b>(7,941,215)</b>	<b>(2,279,989)</b>	<b>(10,423,820)</b>	<b>(2,631,595)</b>
Preferred stock dividend	-	-	-	(140,410)
<b>Net loss attributable to Recruiter.com Group, Inc. shareholders</b>	<b>\$ (7,941,215)</b>	<b>\$ (2,279,989)</b>	<b>\$ (10,423,820)</b>	<b>\$ (2,772,005)</b>
<b>Net loss per common share – basic and diluted</b>	<b>\$ (1.64)</b>	<b>\$ (1.27)</b>	<b>\$ (2.31)</b>	<b>\$ (3.05)</b>
<b>Weighted average common shares – basic and diluted</b>	<b>4,834,531</b>	<b>1,788,401</b>	<b>4,508,394</b>	<b>908,798</b>

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





**Recruiter.com Group, Inc.**  
Condensed Consolidated Statement of Changes in Stockholders' (Deficit) Equity  
For the Three and Six Months ended June 30, 2020 and 2019  
(Unaudited)

	Preferred stock Series D		Preferred stock Series E		Preferred stock Series F		Common stock		Additional Paid in	Accumulated	Noncontrolling	Stock
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Interest	(
Balance as of December 31, 2019	454,546	\$ 46	734,986	\$ 74	139,768	\$ 14	3,619,658	\$ 362	\$18,203,048	\$ (17,488,188)		\$ -
Stock based compensation	-	-	-	-	-	-	-	-	870,722	-		
Series D Preferred stock issued for accrued penalties	106,134	11	-	-	-	-	-	-	1,929,505	-		-
Issuance of common shares upon conversion of Series D preferred stock	(12,900)	(1)	-	-	-	-	161,250	16	(15)	-		-
Issuance of common shares upon conversion of Series E preferred stock	-	-	(3,141)	-	-	-	39,260	4	(4)	-		-
Issuance of common shares upon conversion of Series F preferred stock	-	-	-	-	(64,272)	(6)	803,414	80	(74)	-		-
Net loss three months ended March 31, 2020	-	-	-	-	-	-	-	-	-	(2,482,605)		-
Balance as of March 31, 2020	547,780	\$ 56	731,845	\$ 74	75,496	\$ 8	4,623,582	\$ 462	\$21,003,182	\$ (19,970,793)		\$ -
Stock based compensation									665,230			
Sale of Series D Preferred stock units	1,375	-							25,000			
Reclassification of warrant derivative to liabilities related to Series D unit sale									(26,465)			

Issuance of shares for services							90,000	9	120,491		
Issuance of common shares upon conversion of Series D preferred stock	(12,560)	(1)	-	-	-	-	157,000	16	(15)	-	-
Issuance of common shares upon conversion of Series F preferred stock	-	-	-	-	(11,114)	(1)	138,926	14	(13)	-	-
Net loss three months ended June 30, 2020	-	-	-	-	-	-	-	-	-	(7,941,215)	-
Balance as of June 30, 2020	536,595	\$ 55	731,845	\$ 74	64,382	\$ 7	5,009,508	\$ 501	\$21,787,410	\$ (27,912,008)	\$ -
Balance as of December 31, 2018	-	\$ -	775,000	\$ 78	-	\$ -	\$ -	\$ -	\$ 679,259	\$ (5,675,391)	\$ 1,581,585
Recapitalization	389,036	39	-	-	-	-	1,747,879	175	3,889,219	-	(1,591,221)
Stock based compensation	-	-	-	-	-	-	-	-	-	-	86,705
Adjustment of redemption value of preferred stock	-	-	-	-	-	-	-	-	-	-	23,852
Beneficial conversion feature of preferred stock dividends	-	-	-	-	-	-	-	-	-	-	70,205
Preferred stock deemed dividend	-	-	-	-	-	-	-	-	-	-	(70,205)
Accrued preferred stock dividends	-	-	-	-	-	-	-	-	-	-	(70,205)
Series F Preferred stock issued for assets	-	-	-	-	200,000	20	-	-	8,599,980	-	-
Sale of Series D Preferred stock units, net of offering costs	31,625	3	-	-	-	-	-	-	539,994	-	-
Notes and accrued interest cancelled pursuant to merger	-	-	-	-	-	-	-	-	706,501	-	-
Reclassification of warrant derivative to liabilities	-	-	-	-	-	-	-	-	(691,780)	-	-

related to Series D unit sales												
Net loss three months ended March 31, 2019	-	-	-	-	-	-	-	-	-	(351,606)	(30,716)	
Balance as of March 31, 2019	420,661	42	775,000	78	200,000	20	1,747,879	175	13,723,173	(6,026,997)	-	
Sale of Series D Preferred stock units	43,725	4	-	-	-	-	-	-	794,996	-	-	
Issuance of common shares upon conversion of Series D preferred stock	(5,000)	-	-	-	-	-	62,500	6	(6)	-	-	
Issuance of common shares for deferred compensation	-	-	-	-	-	-	494,593	50	(50)	-	-	
Stock based compensation	-	-	-	-	-	-	-	-	728,822	-	-	
Accrued salary forgiven pursuant to merger	-	-	-	-	-	-	-	-	187,500	-	-	
Stockholder shares transferred as compensation expense	-	-	-	-	-	-	-	-	752,500	-	-	
Reclassification of warrant derivative to liabilities related to Series D unit sales	-	-	-	-	-	-	-	-	(1,058,866)	-	-	
Net loss three months ended June 30, 2019	-	-	-	-	-	-	-	-	-	(2,279,989)	-	
Balance as of June 30, 2019	459,386	\$ 46	775,000	\$ 78	200,000	\$ 20	2,304,972	\$ 231	\$15,128,069	\$ (8,306,986)	\$ -	

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

**Recruiter.com Group, Inc.**  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	<b>Six Months Ended June 30, 2020</b>	<b>Six Months Ended June 30, 2019</b>
<b>Cash Flows from Operating Activities</b>		
Net loss	\$(10,423,820)	\$ (2,662,311)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization expense	318,923	96
Bad debt expense	12,000	-
Equity based compensation expense	1,650,202	1,568,027
Recognized loss on marketable securities	18,740	101,417
Expenses paid through financings	32,500	15,000
Loan principal paid directly through grant	(5,964)	-
Amortization of debt discount and debt costs	214,885	32,522
Initial derivative expense	3,340,554	-
Change in derivative value due to anti-dilution adjustments	2,642,175	-
Change in fair value of derivative liability	904,176	(17,627)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	9,849	(420,916)
(Increase) decrease in prepaid expenses and other current assets	269,051	(182,173)
Increase (decrease) in accounts payable and accrued liabilities	(14,641)	991,807
Increase in other liabilities	49,554	-
Increase (decrease) in deferred revenue	(58,785)	9,959
Net cash used in operating activities	<u>(1,040,601)</u>	<u>(564,199)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of marketable securities	17,009	-
Cash paid for equipment	-	(3,463)
Cash paid for software development	-	(11,500)
Net cash provided by (used in) investing activities	<u>17,009</u>	<u>(14,963)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from notes	398,545	45,005
Proceeds from convertible notes, net of offering costs	2,226,000	-
Payments of notes	(7,396)	(66,216)
Advances on receivables	180,778	-
Repayments of advances on receivables	(112,622)	-
Repayments of liability on sale of future revenues	(261,866)	-
Deposit on purchase of preferred stock	-	500,000
Proceeds from sale of preferred stock	25,000	979,997
Net cash provided by financing activities	<u>2,448,439</u>	<u>1,458,786</u>
Net increase in cash	1,424,847	879,624
Cash, beginning of period	<u>306,252</u>	<u>14,152</u>
<b>Cash, end of period</b>	<u><u>\$ 1,731,099</u></u>	<u><u>\$ 893,776</u></u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for interest	<u><u>\$ 86,438</u></u>	<u><u>\$ 24,245</u></u>

Cash paid during the period for income taxes	\$ -	\$ -
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Original issue discount deducted from convertible note proceeds	\$ 328,125	\$ -
Debt costs deducted from convertible note proceeds	\$ 366,500	\$ -
Preferred stock issued for accrued penalties	\$ 1,929,516	\$ -
Preferred stock issued for asset acquisition	\$ -	\$ 8,600,000
Non-cash adjustments to Redeemable Preferred Stock of subsidiary	\$ -	\$ 2,059,764
Notes payable and accrued interest exchanged for preferred stock	\$ -	\$ 116,380
Accounts payable paid through proceeds of preferred stock	\$ -	\$ 100,000
Accrued compensation paid with common stock	\$ -	\$ 56,250
Value of warrant issued with note	\$ -	\$ 42,000
Accounts payable paid through proceeds of note	\$ -	\$ 4,995
Warrant derivative liability at inception	\$ 5,625,519	\$ 1,750,646
Accrued compensation forgiven and credited to contributed capital	\$ -	\$ 187,500
Marketable securities received as payment for Series D preferred stock	\$ -	\$ 240,000
Notes and accrued interest forgiven	\$ -	\$ 706,502

The accompanying footnotes are in integral part of these unaudited condensed consolidated financial statements.

**RECRUITER.COM GROUP, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**  
**(UNAUDITED)**

**NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Recruiter.com Group, Inc., a Nevada corporation (“RGI”), is a holding company based in Houston, Texas. The Company has four subsidiaries, Recruiter.com, Inc., Recruiter.com Recruiting Solutions LLC (“Recruiting Solutions”), Recruiter.com Consulting, LLC and VocaWorks, Inc. (“VocaWorks”). RGI and its subsidiaries as a consolidated group is hereinafter referred to as the “Company.” The Company operates in Connecticut, Texas, and New York.

Reincorporation

On May 13, 2020, the Company effected a reincorporation from the State of Delaware to the State of Nevada. Following the approval by the Company’s stockholders at a special meeting held on May 8, 2020, Recruiter.com Group, Inc., a Delaware corporation (“Recruiter.com Delaware”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Recruiter.com Group, Inc., a Nevada corporation and a wholly owned subsidiary of Recruiter.com Delaware (“Recruiter.com Nevada”), pursuant to which Recruiter.com Delaware merged with and into Recruiter.com Nevada, with Recruiter.com Nevada continuing as the surviving entity. Simultaneously with the reincorporation, the number of shares of common stock the Company is authorized to issue was increased from 31,250,000 shares to 250,000,000 shares.

The reincorporation did not result in any change in the corporate name, business, management, fiscal year, accounting, location of the principal executive office, or assets or liabilities of the Company.

Asset Purchase

Effective March 31, 2019, RGI acquired certain assets and assumed certain liabilities under an asset purchase agreement, dated March 31, 2019, among RGI, Genesys Talent LLC, a Texas limited liability company (“Genesys”), and Recruiting Solutions, a wholly owned subsidiary of the Company (the “Asset Purchase”). As consideration in the Asset Purchase the Company issued a total of 200,000 shares of its Series F Preferred Stock convertible into 2,500,000 shares of the Company’s common stock. The acquired assets and liabilities include certain accounts receivable, accounts payable, deferred revenue, sales and client relationships, contracts, intellectual property, partnership and vendor agreements and certain other assets. The Company is utilizing these assets in its employment staffing business operated through Recruiting Solutions. This transaction was treated as a business combination (see Note 13).

**Principles of Consolidation and Basis of Presentation**

The unaudited condensed consolidated financial statements include the accounts of RGI and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

The accompanying condensed consolidated financial statements are unaudited. The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. Accordingly, these interim unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto of RGI for the years ended December 31, 2019 and 2018, filed with the SEC on May 8, 2020. The December 31, 2019 balance sheet is derived from those statements.

In the opinion of management, these unaudited interim financial statements as of and for the three and six months ended June 30, 2020 and 2019 include all adjustments (consisting of normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows of the Company for the periods presented). The results for the three and six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020 or for any future period. All references to June 30, 2020 and 2019 in these footnotes are unaudited.

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results and outcomes may differ from management’s estimates and assumptions. Included in these estimates are assumptions used to estimate collection of accounts receivable, fair value of available for sale securities, fair value of derivative liabilities, fair value of securities issued for acquisitions, fair value of assets acquired and liabilities assumed in the business combination, fair value of intangible assets and goodwill, valuation of initial right of use assets and corresponding lease liabilities, deferred income tax asset valuation allowances, and valuation of stock based compensation expense.

## Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with a remaining maturity at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has not experienced any losses related to these balances as of June 30, 2020. Uninsured balances were approximately \$1,136,000 and \$0 as of June 30, 2020 and December 31, 2019. The Company had no cash equivalents during or at the end of either period.

## Revenue Recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers” (“ASC 606”). Revenues are recognized when control is transferred to customers in amounts that reflect the consideration the Company expects to be entitled to receive in exchange for those goods. Revenue recognition is evaluated through the following five steps: (i) identification of the contract, or contracts, with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Revenues are predominantly derived from the following activities:

- **Consulting and Staffing.** Consists of consulting and staffing personnel services provided to customers to satisfy demand for long term consulting and temporary employee needs.
- **Recruiting Solutions.** Consists of placement of specialized personnel at employers generating success-based fees for candidate referrals for direct-hire, facilitated by our Job Market software platform and artificial intelligence matching technologies.
- **Career Solutions.** Consists of (i) Resume Distribution, whereby the Company sends out candidate resumes to its network of independent recruiters and (ii) Recruiter Certification Program, whereby users access the Company’s recruitment training content through its online learning management system.
- **Marketing Solutions.** Consists of web portal monetization, lead generation, and digital publication advertising structured for specialized B2B software companies to access niche industry audience, primarily of recruitment and HR audience.

We have a sales team and sales partnerships with direct employers as well as Vendor Management System companies and Managed Service companies that help create sales channels for clients that buy staffing, direct hire, and sourcing services. Once we have secured the relationship and contract with the interested Enterprise customer the delivery and product teams will provide the service to fulfil any or all of the revenue segments.

Revenues as presented on the statement of operations represent services rendered to customers less sales adjustments and allowances.

Consulting and Staffing Services revenues represent services rendered to customers less sales adjustments and allowances. Reimbursements, including those related to travel and out-of-pocket expenses, are also included in the net service revenues and equivalent amounts of reimbursable expenses are included in costs of revenue. We record substantially all revenue on a gross basis as a principal versus on a net basis as an agent in the presentation of this line of revenues and expenses. We have concluded that gross reporting is appropriate because we have the task of identifying and hiring qualified employees, and our discretion to select the employees and establish their compensation and duties causes us to bear the risk for services that are not fully paid for by customers. Consulting and staffing revenues are recognized when the services are rendered by the temporary employees. Payroll and related taxes of certain employees that are placed on temporary assignment are outsourced to third party payors or related party payors. The payors pay all related costs of employment for these employees, including workers’ compensation insurance, state and federal unemployment taxes, social security and certain fringe benefits. We assume the risk of acceptability of the employees to customers. Payments for consulting and staffing services are typically due within 90 days of completion of services.

Direct hire recruitment placement revenues are recognized on a gross basis when the guarantee period specified in the customer contract expires. No fees for direct hire placement services are charged to employment candidates. Any payments received prior to the expiration of the guarantee period are recorded as a deferred revenue liability. Payments for recruitment services are typically due within 90 days of completion of services.



Career services revenues are recognized on a gross basis upon distribution of resumes or completion of training courses, which is the point at which the performance obligations are satisfied. Payments for career services are typically due upon distribution or completion of services.

Marketing and publishing services revenues are recognized on a gross basis when the advertising is placed and displayed or when lead generation activities and online publications are completed, which is the point at which the performance obligations are satisfied. Payments for marketing and publishing are typically due within 30 days of completion of services.

Deferred revenue results from transactions in which the Company has been paid for services by customers, but for which all revenue recognition criteria have not yet been met. Once all revenue recognition criteria have been met, the deferred revenues are recognized.

Sales tax collected is recorded on a net basis and is excluded from revenue.

#### Contract Assets

The Company does not have any contract assets such as work-in-process. All trade receivables on the Company's balance sheet are from contracts with customers.

#### Contract Costs

Costs incurred to obtain a contract are capitalized unless they are short term in nature. As a practical matter, costs to obtain a contract that are short term in nature are expensed as incurred. The Company does not have any contract costs capitalized as of June 30, 2020 or December 31, 2019.

#### Contract Liabilities - Deferred Revenue

The Company's contract liabilities consist of advance customer payments and deferred revenue. Deferred revenue results from transactions in which the Company has been paid for services by customers, but for which all revenue recognition criteria have not yet been met. Once all revenue recognition criteria have been met, the deferred revenues are recognized.

For each of the identified periods, revenues can be categorized into the following:

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Consulting and staffing services	\$ 3,490,056	\$ 1,605,894
Permanent placement fees	290,767	158,381
License and other	231,831	130,365
Career services	79,342	72,765
Marketing and publishing	74,541	168,378
Total revenue	<u>\$ 4,166,537</u>	<u>\$ 2,135,783</u>

  

	<b>Three Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Consulting and staffing services	\$ 1,576,662	\$ 1,605,894
Permanent placement fees	153,140	118,103
License and other	46,856	130,365
Career services	42,408	33,483
Marketing and publishing	34,348	84,636
Total revenue	<u>\$ 1,853,414</u>	<u>\$ 1,972,481</u>

As of June 30, 2020 and December 31, 2019, deferred revenue amounted to \$86,689 and \$145,474 respectively. As of June 30, 2020, deferred revenues associated with placement services are \$83,189 and we expect the recognition of such services to be \$63,001 within the three months ended September 30, 2020 and \$20,188 thereafter. As of June 30, 2020, deferred revenues associated with marketing services are \$3,500 and we expect the recognition of such services to be within the three months ended September 30, 2020.

Revenue from international sources was approximately 2% and 5% for the six months ended June 30, 2020 and 2019, respectively.

#### **Costs of Revenue**

Costs of revenues consist of employee costs, third party staffing costs and other fees, outsourced recruiter fees and net margin revenue share.

#### **Accounts Receivable**

Credit is extended to customers based on an evaluation of their financial condition and other factors. Management periodically assesses the Company's accounts receivable and, if necessary, establishes an allowance for estimated uncollectible amounts. Accounts determined to be uncollectible are charged to operations when that determination is made. The Company usually does not require collateral. We have recorded an allowance for doubtful accounts of \$33,000 and \$21,000 as of June 30, 2020 and December 31, 2019, respectively. Bad debt expense was \$750 and \$0 for the three month periods ended June 30, 2020 and 2019, respectively and \$12,000 and \$0 for six month periods ended June 30, 2020 and 2019, respectively.

## **Concentration of Credit Risk and Significant Customers and Vendors**

As of June 30, 2020, two customers accounted for more than 10% of the accounts receivable balance, at 42% and 13%, for a total of 55%. As of December 31, 2019, three customers accounted for more than 10% of the accounts receivable balance, at 19%, 15% and 13%, for a total of 47%.

For the six months ended June 30, 2020 three customers accounted for 10% or more of total revenue, at 35%, 15% and 14%, for a total of 64%. For the six months ended June 30, 2019 three customers accounted for 10% or more of total revenue, at 25%, 18% and 10%, for a total of 53%.

We use a related party firm for software development and maintenance related to our website and the platform underlying our operations. One of our officers and principal shareholders is an employee of this firm but exerts control over this firm (see Note 12).

We are a party to that certain license agreement with a related party firm (see Note 12). Pursuant to the license agreement the firm has granted us an exclusive license to use certain candidate matching software and render certain related services to us. If this relationship was terminated or if the firm was to cease doing business or cease to support the applications we currently utilize, we may be forced to expend significant time and resources to replace the licensed software. Further, the necessary replacements may not be available on a timely basis on favorable terms, or at all. If we were to lose the ability to use this software our business and operating results could be materially and adversely affected.

## **Advertising and Marketing Costs**

The Company expenses all advertising and marketing costs as incurred. Advertising and marketing costs were \$15,068 and \$2,969 for the three months ended June 30, 2020 and 2019, respectively. Advertising and marketing costs were \$40,311 and \$2,969 for the six months ended June 30, 2020 and 2019, respectively.

## **Fair Value of Financial Instruments and Fair Value Measurements**

The Company measures and discloses the fair value of assets and liabilities required to be carried at fair value in accordance with ASC 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value, establishes a hierarchical framework for measuring fair value, and enhances fair value measurement disclosure.

ASC 825 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825 establishes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which we have access at the measurement date.

Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Company's investment in available for sale securities and warrant derivative liabilities are measured at fair value. The securities are measured based on current trading prices using Level 1 fair value inputs. The Company's derivative instruments are valued using Level 3 fair value inputs. The Company does not have any other financial instruments which require re-measurement to fair value. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and loans payable represent fair value based upon their short-term nature.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The table below summarizes the fair values of our financial assets and liabilities as of June 30, 2020:

	Fair Value at June 30, 2020	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Available for sale marketable securities (Note 3)	\$ 9,017	\$ 9,017	\$ -	\$ -
Warrant derivative liability (Note 10)	\$ 9,783,912	\$ -	\$ -	\$ 9,783,912

The reconciliation of the derivative liability measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows for the six months ended June 30, 2020:

Balance at December 31, 2019	\$ 612,042
Additions to derivative instruments	5,625,519
Anti-dilution adjustments to derivative instruments	2,642,175
Loss on change in fair value of derivative liability	904,176
Balance at June 30, 2020	<u>\$ 9,783,912</u>

## Goodwill

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*: The objective of this guidance is to simplify an entity's required test for impairment of goodwill by eliminating Step 2 from the goodwill impairment test by permitting the entity to complete a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Under this Update, an entity should perform its annual or quarterly goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount and record an impairment charge for the excess of the carrying amount over the reporting unit's fair value. The loss recognized should not exceed the total amount of goodwill allocated to the reporting unit and the entity must consider the income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. This guidance is effective for a public business entity that is an SEC filer for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company early adopted ASU 2017-04 as of January 1, 2019.

Goodwill is comprised of the purchase price of business combinations in excess of the fair value assigned at acquisition to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized. The Company tests goodwill for impairment for its reporting units on an annual basis, or when events occur or circumstances indicate the fair value of a reporting unit is below its carrying value.

The Company performs its annual goodwill impairment assessment on December 31st of each year, or earlier if facts and circumstances indicate that an impairment may have occurred.

When evaluating the potential impairment of goodwill, management first assesses a range of qualitative factors, including but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for the Company's products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel, and the overall financial performance for each of the Company's reporting units. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then proceed to the impairment testing methodology primarily using the income approach (discounted cash flow method).

We compare the carrying value of the reporting unit, including goodwill, with its fair value, as determined by its estimated discounted cash flows. If the carrying value of a reporting unit exceeds its fair value, then the amount of impairment to be recognized is recognized as the amount by which the carrying amount exceeds the fair value.

When required, we arrive at our estimates of fair value using a discounted cash flow methodology which includes estimates of future cash flows to be generated by specifically identified assets, as well as selecting a discount rate to measure the present value of those anticipated cash flows. Estimating future cash flows requires significant judgment and includes making assumptions about projected growth rates, industry-specific factors, working capital requirements, weighted average cost of capital, and current and anticipated operating conditions. The use of different assumptions or estimates for future cash flows could produce different results.

## Stock-Based Compensation

We account for our stock-based compensation under ASC 718 "Compensation – Stock Compensation" using the fair value based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the shorter of the service period or the vesting period of the stock-based compensation. This guidance establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option pricing model. Determining the fair value of stock-based compensation at the grant date under this model

requires judgment, including estimating volatility, employee stock option exercise behaviors and forfeiture rates. The assumptions used in calculating the fair value of stock-based compensation represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgment.

### **Derivative Instruments**

The Company's derivative financial instruments consist of the warrants issued with the sale of our convertible notes in 2020 (See Notes 8 and 10) and warrants issued with the sale of our Series D Preferred Stock in 2019 and 2020 (see Notes 9 and 10). The accounting treatment of derivative financial instruments requires that we record the derivatives at their fair values as of the inception date of the debt agreements and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense at each balance sheet date. If the fair value of the derivatives was higher at the subsequent balance sheet date, we recorded a non-operating, non-cash charge. If the fair value of the derivatives was lower at the subsequent balance sheet date, we recorded non-operating, non-cash income.

## Product Development

Product development costs are included in selling, general and administrative expenses and consist of support, maintenance and upgrades of our website and IT platform and are charged to operations as incurred.

## Earnings (Loss) Per Share

The Company follows ASC 260 “Earnings Per Share” for calculating the basic and diluted earnings (or loss) per share. Basic earnings (or loss) per share are computed by dividing earnings (or loss) available to common shareholders by the weighted-average number of common shares outstanding. Diluted earnings (or loss) per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the potential shares of common stock had been issued and if the additional shares were dilutive. Common stock equivalents are excluded from the diluted earnings (or loss) per share computation if their effect is anti-dilutive. Common stock equivalents in amounts of 24,381,679 and 19,436,262 were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2020 and 2019, respectively, because their effects would have been anti-dilutive.

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Options	1,355,758	540,905
Stock awards	866,500	494,593
Warrants	3,653,443	470,939
Convertible notes	1,845,703	-
Convertible preferred stock	16,660,275	17,929,825
	<u>24,381,679</u>	<u>19,436,262</u>

## Business Segments

The Company uses the “management approach” to identify its reportable segments. The management approach designates the internal organization used by management for making operating decisions and assessing performance as the basis for identifying the Company’s reportable segments. Using the management approach, the Company determined that it has one operating segment.

## Recently Issued Accounting Pronouncements

There have not been any recent changes in accounting pronouncements and ASU issued by the FASB that are of significance or potential significance to the Company except as disclosed below.

In December 2019, the FASB issued ASU 2019-12, “*Simplifying the Accounting for Income Taxes.*” This guidance, among other provisions, eliminates certain exceptions to existing guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This guidance also requires an entity to reflect the effect of an enacted change in tax laws or rates in its effective income tax rate in the first interim period that includes the enactment date of the new legislation, aligning the timing of recognition of the effects from enacted tax law changes on the effective income tax rate with the effects on deferred income tax assets and liabilities. Under existing guidance, an entity recognizes the effects of the enacted tax law change on the effective income tax rate in the period that includes the effective date of the tax law. ASU 2019-12 is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of this guidance.

## NOTE 2 — GOING CONCERN

These unaudited condensed consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company’s management has evaluated whether there is substantial doubt about the Company’s ability to continue as a going concern and has determined that substantial doubt existed as of the date of the end of the period covered by this report. This determination was based on the following factors: (i) the Company has a working capital deficit as of June 30, 2020 and the Company’s available cash as of the date of this filing will not be sufficient to fund its anticipated level of operations for the next 12 months; (ii) the Company will require additional financing for the fiscal year ending December 31, 2020 to continue at its expected level of operations; and (iii) if the Company fails to obtain the



needed capital, it will be forced to delay, scale back, or eliminate some or all of its development activities or perhaps cease operations. In the opinion of management, these factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern as of the date of the end of the period covered by this report and for one year from the issuance of these unaudited condensed consolidated financial statements.

The Company completed rounds of funding during 2019. Additionally, during 2020 the Company raised approximately \$3 million in gross proceeds through the issuance of convertible debentures and warrants as more fully disclosed in Note 8. However, there is no assurance that the Company will be successful in any other capital-raising efforts that it may undertake to fund operations during the next 12 months. The Company anticipates that it will issue equity and/or debt securities as a source of liquidity, until it begins to generate positive cash flow to support its operations. Any future sales of securities to finance operations will dilute existing shareholders' ownership. The Company cannot guarantee when or if it will generate positive cash flow.

In March 2020, the outbreak of COVID-19 (coronavirus) caused by a novel strain of the coronavirus was recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States, including in each of the areas in which the Company operates. While to date the Company has not been required to stop operating, management is evaluating its use of its office space, virtual meetings and the like. We have reduced certain billing rates to respond to the current economic climate. Additionally, while we have experienced, and could continue to experience, a loss of clients as the result of the pandemic, we expect that the impact of such attrition would be mitigated by the addition of new clients resulting from our continued efforts to adjust the Company's operations to address changes in the recruitment industry. The extent to which the COVID-19 pandemic will impact our operations, ability to obtain financing or future financial results is uncertain at this time. Management has spent time evaluating shifting market demands and adjusting the Company's focus. Due to the effects of COVID-19, the Company took steps to streamline certain expenses, such as temporarily cutting certain executive compensation packages by approximately 20%. Management also worked to reduce unnecessary marketing expenditures and worked to improve staff and human capital expenditures, while maintaining overall workforce levels. The Company expects to resume certain expenses, such as compensation, later in 2020 if conditions warrant. The Company expects but cannot guarantee that demand for its recruiting solutions will improve in the second half of 2020, as certain clients re-open or accelerate their hiring initiatives, and new clients utilize our services. The Company does not expect reductions made in the second quarter of 2020 due to COVID-19 will inhibit its ability to meet client demand. Overall, management is focused on effectively positioning the Company for a rebound in hiring which we expect in the second half of 2020. Ultimately, the recovery may be delayed and the economic conditions may worsen. The Company continues to closely monitor the confidence of its recruiter users and customers, and their respective job requirement load through offline discussions and the Company's Recruiter Index survey.

The accompanying unaudited condensed consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

### NOTE 3 — INVESTMENT IN AVAILABLE FOR SALE MARKETABLE SECURITIES

The Company's investment in marketable equity securities is being held for an indefinite period and thus have been classified as available for sale. Cost basis of securities held as of June 30, 2020 and December 31, 2019 was \$629,720 and \$708,541, respectively, and accumulated unrealized losses were \$620,703 and \$663,775 as of June 30, 2020 and December 31, 2019, respectively. The value of available for sale marketable securities was \$9,017 as of June 30, 2020, based on 261,333 shares of common stock held in two entities with an average per share market price of approximately \$0.04.

Net recognized gains (losses) on equity investments were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net realized gains (losses) on investment sold	\$ (401)	\$ -	\$ (2,543)	\$ -
Net unrealized gains (losses) on investments still held	447	(92,500)	(16,197)	(101,417)
Total	\$ 46	\$ (92,500)	\$ (18,740)	\$ (101,417)

The reconciliation of the investment in marketable securities is as follows for the six months ended June 30, 2020 and 2019:

	June 30, 2020	June 30, 2019
Balance – December 31	\$ 44,766	\$ 33,917
Additions	-	240,000
Proceeds on sales of securities	(17,009)	-
Recognized losses	(18,740)	(101,417)
Balance – June 30	\$ 9,017	\$ 172,500

### NOTE 4 — INTANGIBLE ASSETS

Amortization expense of intangible assets was \$159,173 and \$318,346 for the three and six months ended June 30, 2020, respectively. Future amortization of intangible assets is expected to be approximately \$318,000 for 2020, \$637,000 for 2021 and \$159,000 for 2022.

## NOTE 5 — LIABILITY FOR SALE OF FUTURE REVENUES

At June 30, 2020 we are party to two agreements related to the sale of future revenues. Both agreements are with the same party, have substantially the same terms, and were entered into in December 2019. Discounts related to the agreements will be amortized to expense over the term of the agreements. During the three and six months ended June 30, 2020, we amortized \$33,833 and \$65,809 of discount, respectively, to interest expense. Unamortized discount is \$69,832 at June 30, 2020.

The Company has granted a continuing security interest in the following, to the extent and in the amount of the purchased receivables: all assets including the following property that the Company now owns or shall acquire or create immediately upon the acquisition or creation thereof: (i) any and all amounts owing to the Company now or in the future from any customers; and (ii) all other tangible and intangible personal property of every kind and nature.

## NOTE 6 — RECEIVABLES FINANCING AGREEMENT

In January 2020 we entered into an agreement with a lender that provides advances against the collection of accounts receivable. Advances made under the agreement are generally repayable in 45 days from the date of the advance and bear interest at 1.5% per month. Advances received under the agreement aggregated \$180,778. In April 2020, the lender informed the Company that it would not be able to advance additional funds pursuant to this arrangement due to the impact of the COVID-19 pandemic. We repaid \$112,622 during the three months ended June 30, 2020 and remaining advances payable were \$68,156 at June 30, 2020.

## NOTE 7 — LOANS PAYABLE

### Lines of Credit

At June 30, 2020 and December 31, 2019 we are party to two lines of credit with outstanding balances of \$0. Advances under each of these lines of credit mature within 12 months of the advances. Availability under the two lines was \$91,300 at June 30, 2020; however, due to COVID -19 uncertainty (see Note 2), the availability under both lines has been suspended in 2020.

### Term Loans

We have outstanding balances of \$90,440 and \$103,800 pursuant to two term loans as of June 30, 2020 and December 31, 2019, respectively, which mature in 2023. The loans have variable interest rates, with current rates at 6.0% and 7.76%, respectively. Current monthly payments under the loans are \$1,691 and \$1,008, respectively.

One of the term loans is a Small Business Administration (“SBA”) loan. As a result of the COVID-19 uncertainty, the SBA is paying the loan for a period of six months. The SBA made payments on our behalf of \$7,262 during the three months ended June 30, 2020, which have been recorded as grant income in the financial statements. These payments were applied \$5,964 to principal and \$1,298 to interest expense.

The status of these loans as of June 30, 2020 and December 31, 2019 are summarized as follows:

	June 30, 2020	December 31, 2019
Term loans	\$ 90,440	\$ 103,800
Less current portion	(27,335)	(25,934)
Non-current portion	<u>\$ 63,105</u>	<u>\$ 77,866</u>

Future principal payments under the term notes are as follows:

### **Year Ending December 31,**

2020	\$ 13,386
2021	28,195
2022	30,133
2023	18,726
Total minimum principal payments	<u>\$ 90,440</u>

Our Chief Executive Officer, who is also a shareholder, has personally guaranteed the loans described above.

### Paycheck Protection Program Loan

During April and May 2020 the Company, through its four subsidiaries, received an aggregate of \$398,545 in loans borrowed from a bank pursuant to the Paycheck Protection Program under the CARES Act guaranteed by the SBA, which we expect to be forgiven in part or in full, subject to our compliance with the conditions of the Paycheck Protection Program. If not forgiven, the terms on the note provide for interest at 1% per year and the note mature in 24 months, with 18 monthly payments beginning after the initial 6 month deferral period for payments. Since we expect the loans to be forgiven, we have classified them as long term at June 30, 2020.

## NOTE 8 — CONVERTIBLE NOTES PAYABLE

In May and June 2020, the Company entered into a Securities Purchase Agreement, effective May 28, 2020 (the “Purchase Agreement”) with several accredited investors (the “Purchasers”). Four of the investors had previously invested in the Company’s preferred stock. Pursuant to the Purchase Agreement, the Company sold to the Purchasers a total of (i) \$2,953,125 in the aggregate principal amount of 12.5% Original Issue Discount Senior Subordinated Secured Convertible Debentures (the “Debentures”), and (ii) 1,845,703 common stock purchase warrants (the “Warrants”), which represents 100% warrant coverage. The Company received a total of \$2,226,000 in net proceeds from the offering, after deducting the 12.5% original issue discount of \$328,125, offering expenses and commissions, including the placement agent’s commission and fees of \$295,000, reimbursement of the placement agent’s and lead investor’s legal fees and the Company’s legal fees in the aggregate amount of \$100,000 and escrow agent fees of \$4,000. The Company also agreed to issue to the placement agent, as additional compensation, 369,141 common stock purchase warrants exercisable at \$2.00 per share.

The Debentures mature on May 28, 2021, subject to a six-month extension at the Company's option. The Debentures bear interest at 8% per annum payable quarterly, subject to an increase in case of an event of default as provided for therein. The Debentures are convertible into shares of Common Stock at any time following the date of issuance at the Purchasers' option at a conversion price of \$1.60 per share, subject to certain adjustments. The Debentures are subject to mandatory conversion in the event the Company closes an equity offering of at least \$5,000,000 resulting in the listing of the Company's common stock on a national securities exchange. The Debentures rank senior to all existing and future indebtedness of the Company and its subsidiaries, except for approximately \$508,000 of outstanding senior indebtedness. The Company may prepay the Debentures at any time at a premium as provided for therein.

The Warrants are exercisable for three years from May 28, 2020 at an exercise price of \$2.00 per share, subject to certain adjustments.

The Company's obligations under the Purchase Agreement and the Debentures are secured by a first priority lien on all of the assets of the Company and its subsidiaries pursuant to a Security Agreement, effective May 28, 2020 (the "Security Agreement") by and among the Company, its wholly-owned subsidiaries, and the Purchasers, subject to certain existing senior liens. The Company's obligations under the Debentures are guaranteed by the Company's subsidiaries.

The Purchase Agreement contains customary representations, warranties and covenants of the Company, including, among other things and subject to certain exceptions, covenants that restrict the ability of the Company and its subsidiaries, without the prior written consent of the Debenture holders, to incur additional indebtedness, including further advances under a certain pre-existing secured loan, and repay outstanding indebtedness, create or permit liens on assets, repurchase stock, pay dividends or enter into transactions with affiliates. The Debentures contain customary events of default, including, but not limited to, failure to observe covenants under the Debentures, defaults on other specified indebtedness, loss of admission to trading on OTCQB or another applicable trading market, and occurrence of certain change of control events. Upon the occurrence of an event of default, an amount equal to 130% of the principal, accrued but unpaid interest, and other amounts owing under each Debenture will immediately come due and payable at the election of each Purchaser, and all amounts due under the Debentures will bear interest at an increased rate.

Pursuant to the Purchase Agreement, the Purchasers have certain participation rights in future equity offerings by the Company or any of its subsidiaries for a period of 24 months after the closing, subject to customary exceptions. The Debentures and the Warrants also contain certain price protection provisions providing for adjustment of the number of shares of Common Stock issuable upon conversion of the Debentures and/or exercise of the Warrants and the conversion or exercise price in case of future dilutive offerings.

We have incurred a total of \$1,299,677 of debt costs related to the sale of the Debentures, including commissions, costs and fees of \$366,500. We have also recorded a cost related to the fair value of the placement agent warrants of \$933,177 (see Note 10). The costs are being amortized over the life of the notes. Amortization expense was \$71,664 for the three and six months ended June 30, 2020, respectively. Unamortized debt costs were \$1,228,013 at June 30, 2020.

We have recorded a total of \$1,653,448 of debt discount related to the sale of the Debentures, including original issue discount of \$328,125. We have also recorded a discount related to the fair value of the warrants issued with the debt of \$1,325,323 (see Note 10). The discount is being amortized over the life of the notes. Amortization expense was \$77,412 for the three and six months ended June 30, 2020, respectively. Unamortized debt costs were \$1,576,036 at June 30, 2020.

## **NOTE 9 — STOCKHOLDERS' EQUITY (DEFICIT), TEMPORARY EQUITY AND NONCONTROLLING INTERESTS**

### **Preferred Stock**

The Company is authorized to issue 10,000,000 shares of preferred stock, par value \$0.0001 per share. As of June 30, 2020 and December 31, 2019, the Company had 1,332,822 and 1,329,300 shares of preferred stock issued and outstanding, respectively.

### **Series D Convertible Preferred Stock**

During 2020 we have issued to the holders of Series D Preferred Stock an aggregate of 106,134 additional shares of Series D Preferred Stock as consideration for waivers of penalties discussed below.

In February 2020, the Company issued 161,250 shares of its common stock upon conversion of 12,900 shares of its Series D Preferred Stock.

On June 9, 2020, the Company sold 1,375 Series D preferred stock units (the “Units”) at a purchase price of \$18.1818 per Unit, taking into account a 10% discount, each Unit consisting of one share of Series D Preferred Stock and a warrant to purchase 6.25 shares of common stock, subject to adjustment as provided for therein. The Series D Preferred Stock sold in the financing converts into a minimum of 17,188 shares of common stock. The Company received gross proceeds of \$25,000 from the sale of the Units. The 8,594 warrants are exercisable for five years from the issuance date at an exercise price of \$4.80 per share, subject to adjustment as provided for therein.

In June 2020, the Company issued 157,000 shares of its common stock upon conversion of 12,560 shares of its Series D Preferred Stock.

#### Series E Convertible Preferred Stock

In January 2020, the Company issued 39,260 shares of its common stock upon conversion of 3,141 shares of Series E Preferred Stock.

### Series F Convertible Preferred Stock

In January and February 2020, the Company issued 803,414 shares of its common stock upon conversion of 64,272 shares of Series F Preferred Stock.

In April 2020, the Company issued 138,926 shares of its common stock upon conversion of 11,114 shares of Series F Preferred Stock.

### Preferred Stock Penalties

On March 31, 2019, we entered into certain agreements with investors pursuant to which we issued convertible preferred stock and warrants, as described above. Each of the series of preferred stock and warrants required us to reserve shares of common stock in the amount equal to two times the common stock issuable upon conversion of the preferred stock and exercise of the warrants. We did not comply in part due to our attempts to manage the Delaware tax which increases to a maximum of \$200,000 as the authorized capital increases without the simultaneous increase in the number of shares outstanding. In May 2020 following stockholder approval at a special meeting the Company effected a reincorporation from Delaware to Nevada and a simultaneous increase in our authorized common stock from 31,250,000 shares to 250,000,000 shares, which we expect will be sufficient to meet the reserve requirements. As of December 31, 2019, we estimated that we owed approximately \$6 million in penalties (prior to any waivers of penalties) to holders of preferred stock. Subsequent to December 31, 2019, we have received waivers from a substantial number of the preferred shareholders with respect to these penalties. We have agreed to issue to the holders of Series D Preferred Stock an aggregate of 106,134 additional shares of Series D Preferred Stock (valued at \$1,929,516) as consideration for the waivers. We have accrued this cost at December 31, 2019. Additionally, certain holders of Series E and Series F Preferred Stock have not waived the penalties. We have accrued \$308,893 at December 31, 2019 related to these Series E and Series F Preferred holders. Because of our ongoing liquidity problems, we will be required to cease operations if faced with material payment requests from investors who did not agree to waive the penalties. The total accrued penalty amount of \$2,238,314 was included in accrued expenses on the balance sheet at December 31, 2019. The \$1,929,516 accrual was reclassified to equity during the three months ended March 31, 2020 as a result of our issuance of the 106,134 shares of Series D Preferred Stock. At June 30, 2020, the remaining balance of \$308,798 is included in accrued expense on the balance sheet.

### Common Stock

The Company is authorized to issue 250,000,000 shares of common stock, par value \$0.0001 per share. The number of shares of common stock the Company is authorized to issue was increased from 31,250,000 shares to 250,000,000 shares in connection with the reincorporation from Delaware to Nevada in May 2020. As of June 30, 2020 and December 31, 2019 the Company had 5,009,508 and 3,619,658 shares of common stock outstanding, respectively.

On February 1, 2019, the Company granted to Evan Sohn, its Executive Chairman and CEO, 43,423 shares of restricted common stock, which vested on February 1, 2020. We recognized compensation expense of \$12,665 during the six months ended June 30, 2020.

On May 14, 2019, the Company granted to Mr. Sohn 451,170 shares of restricted common stock, which vested on February 1, 2020. We recognized compensation expense of \$318,473 during the six months ended June 30, 2020.

On December 23, 2019 the Company granted to a consultant 312,500 restricted stock units (the "RSUs") pursuant to a consultant agreement. The RSUs vest 63,500 upon grant with the balance vesting monthly in equal installments beginning January 1, 2020 and ending November 1, 2020, subject to the consultants continued service to the Company on each vesting date. The RSU award has been valued at \$343,750 and compensation expense will be recorded over the respective vesting periods. We recognized compensation expense of \$74,999 and \$149,998 during the three and six months ended June 30, 2020, respectively. The shares have not been issued at June 30, 2020. The vested shares will be issued at the earlier of the final vesting period or the termination of services.

Effective January 15, 2020 the Company entered into a consulting agreement. Pursuant to the agreement the Company agreed to issue 60,000 shares of restricted common stock, plus a payment of \$15,000. The shares are fully vested upon issuance and have been valued at \$75,000, based on the quoted market price of our common stock on the grant date. The shares were issued on April 3, 2020. We have recorded compensation expense of \$37,500 and \$68,750 for the share portion of the agreement during the three and six months ended June 30, 2020, respectively, and expense of \$7,500 and \$13,750 for the cash portion during the three months ended June 30, 2020, respectively. Prepaid expense of \$6,250 for the stock portion and \$1,250 for the cash portion was recorded at June 30, 2020.

Effective January 15, 2020 the Company entered into a consulting agreement. Pursuant to the agreement the Company agreed to issue 30,000 shares of restricted common stock, earned monthly over the three month term of the agreement. The shares are fully vested upon



issuance and have been valued at \$45,500, based on the quoted market price of our common stock on the vesting dates. The shares were issued on April 3, 2020. We have recorded compensation expense of \$6,500 and \$45,500 during the three and six months ended June 30, 2020, respectively.

In January 2020, the Company issued 39,260 shares of its common stock upon conversion of 3,141 shares of Series E Preferred Stock.

In January and February 2020, the Company issued 803,414 shares of its common stock upon conversion of 64,272 shares of Series F Preferred Stock.

In February 2020, the Company issued 161,250 shares of its common stock upon conversion of 12,900 shares of its Series D Preferred Stock.

In April 2020, the Company issued 138,926 shares of its common stock upon conversion of 11,114 shares of Series F Preferred Stock.

In June 2020, the Company issued 157,000 shares of its common stock upon conversion of 12,560 shares of its Series D Preferred Stock.

On June 18, 2020 the Company awarded to Mr. Sohn 554,000 restricted stock units (the “RSUs”) subject to and issuable upon the listing of the Company’s common stock on the Nasdaq Capital Market or NYSE American, or any successor of the foregoing (the “Uplisting”). The RSUs will vest over a two-year period from the date of the Uplisting in equal quarterly installments on the last day of each calendar quarter, with the first portion vesting on the last day of the calendar quarter during which the Uplisting takes place, subject to Mr. Sohn serving as an executive officer of the Company on each applicable vesting date, provided that the RSUs shall vest in full immediately upon the termination of Mr. Sohn’s employment by the Company without Cause (as defined in the Employment Agreement). The RSU award has been valued at \$1,662,000 and compensation expense will be recorded over the estimated vesting period. We recognized compensation expense of \$30,218 during the three and six months ended June 30, 2020, respectively. The shares have not been issued at June 30, 2020.

## **NOTE 10 — STOCK OPTIONS AND WARRANTS**

### **Stock Options**

In May 2020, the number of shares authorized for issuance under the Company’s 2017 Equity Incentive Plan was increased to 1,714,000 shares. In June 2020, the number of shares authorized for issuance under the Company’s 2017 Equity Incentive Plan was further increased to 2,770,000 shares.

On May 14, 2020 the Company granted to its current Chief Financial Officer 26,087 options to purchase common stock, exercisable at \$2.50 per share, under the terms of the 2017 Equity Incentive Plan. The options have a term of five years. The options will vest in six equal monthly installments on the last calendar day of each calendar month, with the first portion vesting on May 31, 2020, subject to serving as the Chief Financial Officer of the Company on each applicable vesting date, provided that the options shall vest in full upon the listing of the Company’s securities on NYSE American or the Nasdaq Capital Market. The award has been valued at \$65,210 using the Black Scholes model and compensation expense will be recorded over the vesting period. We have recorded compensation expense of \$21,737 related to the options during the three and six months ended June 30, 2020. The assumptions used in the Black Scholes model are as follows: (1) dividend yield of 0%; (2) expected volatility of 344%, (3) risk-free interest rate of 0.31%, (4) expected term of 5 years.

On May 14, 2020 the Company granted to its current Chief Financial Officer 431,251 options to purchase common stock, exercisable at \$2.50 per share, under the terms of the 2017 Equity Incentive Plan. The options have a term of five years. The options will vest over a two-year period in equal quarterly installments on the last day of each calendar quarter, with the first portion vesting on the last day of the calendar quarter during which the Company’s securities begin trading on NYSE American or the Nasdaq Capital Market, subject to serving as the Chief Financial Officer of the Company on each applicable vesting date. The award has been valued at \$1,077,999 using the Black Scholes model and compensation expense will be recorded over the estimated vesting period. We have recorded compensation expense of \$56,737 related to the options during the three and six months ended June 30, 2020. The assumptions used in the Black Scholes model are as follows: (1) dividend yield of 0%; (2) expected volatility of 344%, (3) risk-free interest rate of 0.31%, (4) expected term of 5 years.

On May 14, 2020 the Company granted to a consultant 25,000 options to purchase common stock, exercisable at \$2.50 per share, under the terms of the 2017 Equity Incentive Plan. The options have a term of one year. The options will vest in full upon completion of a certain project, which is expected to occur in the third quarter of 2020. The award has been valued at \$49,304 using the Black Scholes model and compensation expense will be recorded over the estimated vesting period. We have recorded compensation expense of \$29,582 related to the options during the three and six months ended June 30, 2020. The assumptions used in the Black Scholes model are as follows: (1) dividend yield of 0%; (2) expected volatility of 250%, (3) risk-free interest rate of 0.15%, (4) expected term of 5 years.

During the three and six months ended June 30, 2020, we recorded \$451,957 and \$916,542 of compensation expense, respectively, related to stock options granted in prior years.

### **Warrants Recorded as Derivative Liabilities**

#### Series D Preferred Stock Warrants

The Company identified embedded features in the warrants issued with Series D Preferred Stock in 2019 and 2020 which caused the warrants to be classified as a derivative liability. These embedded features included the right for the holders to request for the Company to cash settle the warrants to the holder by paying to the holder an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of the warrants on the date of the consummation of a fundamental transaction, as defined in the warrant instrument.

The accounting treatment of derivative financial instruments requires that the Company treat the whole instrument as liability and record the fair value of the instrument as a derivative as of the inception date of the instrument and to adjust the fair value of the instrument as of each subsequent balance sheet date.

As of the issuance date of the unit warrants issued in 2020 in connection with the sale of Series D Preferred Stock (See Note 9), the Company determined a fair value for the derivative liability of \$26,465 for the 8,594 warrants, which has been charged to paid in capital. The fair value of the warrants was determined using the Black-Scholes Model based on a risk-free interest rate of 0.34%, an expected term of 5 years, an expected volatility of 344% and a 0% dividend yield.

As a result of the sale of convertible notes and warrants as described in Note 8, the number and exercise price of the Series D Preferred Stock warrants outstanding was adjusted due to anti-dilution provisions in the warrants. The exercise price was reduced to \$1.60 from \$4.80 and the number of warrants was increased from 479,533 to 1,438,599. We have recorded an expense for the change in derivative value due to the anti-dilution adjustments of \$2,642,175 as a result of the trigger of the anti-dilution provision.

During the three and six months ended June 30, 2020, the Company recorded other expense of \$72,886 and \$637,974, respectively, related to the change in the fair value of the derivative. The fair value of the embedded derivative was \$3,918,656 as of June 30, 2020, determined using the Black Scholes model based on a risk-free interest rate of 0.235% - 0.29%, an expected term of 3.75 – 4.95 years, an expected volatility of 334 - 357% and a 0% dividend yield.

#### Convertible Debenture Warrants and Placement Agent Warrants

The Company identified embedded features in the warrants issued with the convertible debt and the placement agent warrants in 2020 (see Note 8) which caused the warrants to be classified as a derivative liability. These embedded features included the right for the holders to request for the Company to cash settle the warrants to the holder by paying to the holder an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of the warrants on the date of the consummation of a fundamental transaction, as defined in the warrant instrument. The accounting treatment of derivative financial instruments requires that the Company treat the whole instrument as liability and record the fair value of the instrument as a derivative as of the inception date of the instrument and to adjust the fair value of the instrument as of each subsequent balance sheet date.

As of the issuance date of the Debenture warrants, the Company determined a fair value of \$4,665,877 for the 1,845,703 warrants. The fair value of the warrants was determined using the Black-Scholes Model based on a risk-free interest rate of 0.22%, an expected term of 2.93 – 3 years, an expected volatility of 252% - 341% and a 0% dividend yield. Of this amount, \$1,325,323 was recorded as debt discount (see Note 8) and \$3,340,554 was charged to expense as initial derivative expense.

As of the issuance date of the placement agent warrants, the Company determined a fair value of \$933,177 for the 369,141 warrants. The fair value of the warrants was determined using the Black-Scholes Model based on a risk-free interest rate of 0.22%, an expected term of 2.93 – 3 years, an expected volatility of 252% - 341% and a 0% dividend yield. The value of \$933,177 has been recorded as debt cost (see Note 8).

During the three and six months ended June 30, 2020, the Company recorded other expense of \$266,202 related to the change in the fair value of the derivative. The fair value of the embedded derivative was \$5,865,256 as of June 30, 2020, determined using the Black Scholes model based on a risk-free interest rate of 0.18%, an expected term of 2.91 years, an expected volatility of 253% and a 0% dividend yield.

#### **NOTE 11 — COMMITMENTS AND CONTINGENCIES**

Although not a party to any proceedings or claims at June 30, 2020, the Company may be subject to legal proceedings and claims from time-to-time arising out of our operations in the ordinary course of business.

##### Leases:

On March 31, 2019, the Company entered into a sublease with a related party (see Note 12) for its current corporate headquarters. The sublease expires in November 2022. Monthly lease payments are currently \$7,307 per month and increase to \$7,535 per month for the final 20 months of the lease.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02: “Leases (Topic 842)” whereby lessees need to recognize almost all leases on their balance sheet as a right of use asset and a corresponding lease liability. The Company adopted this standard as of January 1, 2019 using the effective date method. We calculated the present value of the remaining lease payment stream using our incremental effective borrowing rate of 10%. We initially recorded a right to use asset and corresponding lease liability amounting to \$269,054 on March 31, 2019. The right to use asset and the corresponding lease liability are being equally amortized on a straight-line basis over the remaining term of the lease.

For the six months ended June 30, 2020, lease costs amounted to \$74,286 which includes base lease costs of \$43,155 and common area and other expenses of \$31,131. All costs were expensed during the periods and included in general and administrative expenses on the accompanying consolidated statements of operations.

Right-of-use asset (“ROU”) is summarized below:

**June 30,  
2020**

Operating office lease	\$ 269,054
Less accumulated reduction	(91,723)
Balance of ROU asset at June 30, 2020	<u>\$ 177,331</u>

Operating lease liability related to the ROU asset is summarized below:

	<b>June 30, 2020</b>
Total lease liability	\$ 269,054
Reduction of lease liability	(91,723)
Total	<u>177,331</u>
Less short term portion as of June 30, 2020	(73,378)
Long term portion as of June 30, 2020	<u>\$ 103,953</u>

Future base lease payments under the non-cancellable operating lease at June 30, 2020 are as follows:

2020	\$ 43,842
2021	89,736
2022	82,885
Total minimum non-cancellable operating lease payments	216,463
Less discount to fair value	(39,132)
Total fair value of lease payments	<u>\$ 177,331</u>

COVID-19 Uncertainty:

In March 2020, the outbreak of COVID-19 (coronavirus) caused by a novel strain of the coronavirus was recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States, including in each of the areas in which the Company operates. While to date the Company has not been required to stop operating, management is evaluating its use of its office space, virtual meetings and the like to comply with health and safety guidelines to protect employees, contractors and customers, including in connection with a transition back to the workplace. We have reduced certain billing rates to respond to the current economic climate. Additionally, while we have experienced, and could continue to experience, a loss of clients as the result of the pandemic, we expect that the impact of such attrition would be mitigated by the addition of new clients resulting from our continued efforts to adjust the Company's operations to address changes in the recruitment industry. The extent to which the COVID-19 pandemic will impact our operations, ability to obtain financing or future financial results is uncertain at this time. Management has spent time evaluating shifting market demands and adjusting the Company's focus. Due to the effects of COVID-19, the Company took steps to streamline certain expenses, such as temporarily cutting certain executive compensation packages by approximately 20%. Management also worked to reduce unnecessary marketing expenditures and worked to improve staff and human capital expenditures, while maintaining overall workforce levels. The Company expects to resume certain expenses, such as compensation, later in 2020 if conditions warrant. The Company expects but cannot guarantee that demand for its recruiting solutions will improve in the second half of 2020, as certain clients re-open or accelerate their hiring initiatives, and new clients utilize our services. The Company does not expect reductions made in the second quarter of 2020 due to COVID-19 will inhibit its ability to meet client demand. Overall, management is focused on effectively positioning the Company for a rebound in hiring which we expect in the second half of 2020. Ultimately, the recovery may be delayed and the economic conditions may worsen. The Company continues to closely monitor the confidence of its recruiter users and customers, and their respective job requirement load through offline discussions and the Company's Recruiter Index survey.

**NOTE 12 — RELATED PARTY TRANSACTIONS**

During 2018 we entered into a marketing agreement with an entity controlled by a consultant (who is also a principal shareholder and former noteholder of the Company). The agreement provides for payment to this entity of 10% of applicable revenue generated through the use of the entities database. The agreement also provides for the payment to us of 10% of the revenue generated by the entity using our social media groups. Through June 30, 2020 no fees were due or payable under this arrangement.

During 2019 we entered into a two year non-exclusive consulting agreement with a principal shareholder to act as Company's consultant with respect to introducing the Company to potential acquisition and partnership targets. The Company has agreed to pay the consultant a retainer of \$10,000 per month as a non-recoverable draw against any finder fees earned. The Company has also agreed to pay the consultant the sum of \$5,500 per month for three years (\$198,000 total) as a finder's fee for introducing Genesys to the Company. This payment is included in the \$10,000 monthly retainer payment. We have recorded consulting fees expense of \$13,500 and \$27,000 during the three and six months ended June 30, 2020, respectively. We have recorded consulting fees expense of \$211,500 during the three and six months ended June 30, 2019. At June 30, 2020, \$132,000 of the Genesys finder's fee and \$13,500 of monthly fee expense is included in accrued compensation.

We use a related party firm of the Company, for software development and maintenance related to our website and the platform underlying our operations. The firm was formed outside of the United States solely for the purpose of performing services for the Company and has no other clients. Our Chief Technology Officer is an employee of this firm and exerts control over the firm. Payments to this firm were \$57,401 and \$44,934 for the three months ended June 30, 2020 and 2019, respectively. Payments to this firm were \$118,380 and \$94,788 for the six months ended June 30, 2020 and 2019, respectively.

We are a party to that certain license agreement with Genesys. An executive officer of the Company is a significant equity holder and a member of the Board of directors of Genesys. Pursuant to the License Agreement Genesys has granted us an exclusive license to use

certain candidate matching software and render certain related services to us. The Company has agreed to pay to Genesys a monthly license fee of \$5,000 beginning June 29, 2019 and an annual fee of \$1,995 for each recruiter being licensed under the License Agreement. During the three and six months ended June 30, 2020 we charged to operating expenses \$48,453 and \$86,930, respectively, for services provided by Genesys. During the three and six months ended June 30, 2019 we charged to operating expenses \$12,693 for services provided by Genesys. As of June 30, 2020, the Company owes Genesys \$73,321 in payables.

Icon Information Consultants performs all of the back office and accounting roles for Recruiting Solutions. Icon Information Consultants then charges a fee for the services along with charging for office space (see Note 11). Icon Information Consultants and Icon Industrial Solutions (collectively “Icon”) also provide “Employer of Record” (“EOR”) services to Recruiting Solutions which means that they process all payroll and payroll tax related duties of temporary and contract employees placed at customer sites and is then paid a reimbursement and fee from Recruiting Solutions. A representative of Icon is a member of our board of directors. Icon Canada also acts as an EOR and collects the customer payments and remits the net fee back to Recruiting Solutions. Revenue related to customers processed by Icon Canada is recognized on a gross basis the same as other revenues and was \$36,091 and \$69,318 for the three and six months ended June 30, 2020, respectively, and was \$90,081 for the three and six months ended June 30, 2019. EOR costs related to customers processed by Icon Canada was \$33,784 and \$64,854 for the three and six months ended June 30, 2020, respectively, and was \$84,960 for the three and six months ended June 30, 2019. Currently, there is no intercompany agreement for those charges and they are calculated on a best estimate basis. As of June 30, 2020, the Company owes Icon \$859,193 in payables and Icon Canada owes \$7,435 (included in accounts receivable) to the Company. During the three and six months ended June 30, 2020, we charged to cost of revenue \$264,928 and \$889,242, respectively, related to services provided by Icon as our employer of record. During the three and six months ended June 30, 2019, we charged to cost of revenue \$709,175 related to services provided by Icon as our employer of record. During the three and six months ended June 30, 2020, we charged to operating expenses \$59,327 and \$130,268 related to management fees, rent and other administrative expense. During the three and six months ended June 30, 2019, we charged to operating expenses of \$52,813 related to management fees, rent and other administrative expense.

We also recorded placement revenue from Icon of \$7,020 and \$13,430 during the three and six months ended June 30, 2020, respectively, of which \$7,020 is included in accounts receivable at June 30, 2020.

#### **NOTE 13 — BUSINESS COMBINATION**

##### Business Combination

On March 31, 2019, the Company, through its wholly-owned subsidiary Recruiter.com Recruiting Solutions LLC (“Recruiting Solutions”) acquired certain assets and assumed certain liabilities from Genesys pursuant to the Asset Purchase Agreement. Recruiting Solutions was formed for the purpose of completing the asset purchase transaction. For purposes of purchase accounting, the Company is referred to as the acquirer.

The results of operations of Recruiting Solutions are included in the Company’s consolidated financial statements from the date of acquisition of March 31, 2019. The following supplemental unaudited pro forma combined financial information assumes that the acquisition had occurred at the beginning of the six months ended June 30, 2019.

	<b>June 30, 2019</b>
Revenue	\$ 3,937,422
Net Loss	\$ (3,650,641)
Loss per common share, basic and diluted	\$ (4.02)

The pro forma financial information is not necessarily indicative of the results that would have occurred if the acquisition had occurred on the dates indicated or that result in the future.

#### **NOTE 14 — SUBSEQUENT EVENTS**

In July 2020, the Company issued 12,000 shares of restricted common stock to a consultant pursuant to a previously executed consulting agreement.

The Company issued 110,000 shares of common stock upon the conversion of 8,800 shares of Series D Preferred Stock.

We entered into an executive employment agreement on July 1, 2020 (the “Employment Agreement”) with Chad MacRae as the Senior Vice President Recruiters on Demand. The Employment Agreement specifies that certain customer contracts, databases, and computer equipment were to be transferred to the Company in connection with the hiring of Mr. MacRae. The Company’s management is currently evaluating the proper accounting treatment for this transaction. Mr. MacRae’s compensation package includes a \$50,000 signing bonus and an annual base salary of \$125,000. He is also entitled to earn a bonus package capped at \$350,000 equal to any profit his division generates during the first full year of his employment, payable on a quarterly basis (the “Bonus”). In addition, Mr. MacRae received



five-year incentive stock options to purchase 250,000 shares of the Company's common stock with an exercise price of \$1.85, issuable under the 2017 Equity Incentive Plan. The options will vest on the last calendar day of each month over a 12 month period in equal monthly increments, subject to continued employment with the Company as of each applicable vesting date and subject to execution of the Company's standard Stock Option Agreement. Unless the Executive is terminated by the Company for Cause (as defined in the Employment Agreement) before all the stock options have vested then, upon termination, any remaining unvested stock options shall automatically accelerate and vest. Upon a termination for Cause, all unvested options shall terminate.

If the Bonus compensation totals \$350,000, the Company shall issue to the Executive, subject to approval by the Company's Board, qualified options to purchase an additional 250,000 shares of the Company's common stock at an exercise price equal to the market price as of the date the Bonus compensation is computed, subject to adjustment for any increase or decrease in the number of issued shares resulting from a stock dividend, stock split, reverse stock split, or other subdivision or consolidation of shares. These options shall vest over a two (2) year period in equal quarterly installments on the last day of each calendar quarter beginning with the first full calendar quarter after computation of the Bonus compensation totalling \$350,000, subject to the Executive's continued employment with the Company as of each applicable vesting date.

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

The following discussion and analysis should be read in conjunction with our unaudited interim condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report"). In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the "SEC").

For purposes of this Quarterly Report, "Recruiter.com," "we," "our," "us," or similar references refers to Recruiter.com Group, Inc. and its consolidated subsidiaries, unless the context requires otherwise.

### Overview

Recruiter.com is a hiring platform with the world's largest network of recruiters. Recruiter.com empowers businesses to recruit specialized talent faster with virtual teams of recruiters and artificial-intelligence ("AI") job-matching technology. The Recruiter.com network consists of over 26,000 recruiters, the majority of whom are either smaller or independent. The recruiters on our network utilize an innovative web platform, complete with AI-driven job matching, screening, and video interviewing to recruit talent faster and more efficiently. Recruiter.com's "Recruiters On Demand" provides businesses with access to virtual recruiters that specialize in vertical industries to source, engage, and hire talent on an as-needed basis.

We help businesses accelerate and streamline their recruiting and hiring processes by leveraging our expert network of recruiters and our cutting-edge artificial intelligence-based candidate sourcing, matching and video screening technologies. We operate a cloud-based scalable SaaS-enabled marketplace platform for professional hiring, which provides prospective employers access to our expansive network of recruiters from across the world. The recruiters in our network generally specialize in talent sourcing for a particular field, including information technology, accounting, finance, sales, marketing, operations, and healthcare.

Our mission is to create the most collaborative and connective global platform for professional recruiting and become the top of mind solution for hiring specialized talent.

The Company has four wholly-owned subsidiaries: Recruiter.com, Inc., Recruiter.com Recruiting Solutions LLC ("Recruiting Solutions"), Recruiter.com Consulting, LLC, and VocaWorks, Inc. ("VocaWorks"). The Company operates in Connecticut, Texas, and New York. Subsequently to Q2, the Company also operates in California and Vancouver, Canada.

We generate revenue from the following activities:

- **Consulting and Staffing:** Consists of providing consulting and staffing personnel services for satisfying our customers' demand for long-term consulting and temporary employee needs;
- **Recruiting Solutions:** Consists of placement of specialized personnel for employers generating success-based fees for candidate referrals through direct-hire, facilitated through both our platform and AI-matching technologies;
- **Career Solutions:** Consists of (i) resume distribution, whereby we send out candidate resumes to our network of independent recruiters and (ii) Recruiter Certification Program, whereby users access our recruitment training content through our online learning management system (subsequent to March 31, 2020, the Company offered the training program free as a response to COVID-19); and
- **Marketing Solutions:** Consists of web portal monetization, lead generation, and digital publication advertising, structured for specialized B2B software companies to access niche industry audiences, primarily recruitment and human resource personnel.

The costs of our revenue primarily consists of employee costs, third-party staffing costs and other fees, outsourced recruiter fees and net margin revenue share.

Our results of operations and financial condition may be impacted positively and negatively by certain general macroeconomic and industry wide conditions, such as the effects of the COVID-19 pandemic. The consequences of the pandemic and impact on the U.S. and

global economies continue to evolve and the full extent of the impact is uncertain as of the date of this Quarterly Report. The pandemic has had a detrimental effect on many recruitment technology companies and on the general employment and staffing industry. If the recovery from the COVID-19 pandemic is not robust, the impact could be prolonged and severe. We have reduced certain billing rates to respond to the current economic climate. Additionally, while we have experienced, and could continue to experience, a loss of clients as the result of the pandemic, we expect that the impact of such attrition would be mitigated by the addition of new clients resulting from our continued efforts to adjust the Company's operations to meet the demands of the greater recruitment industry. The extent to which the COVID-19 pandemic will impact our operations, ability to obtain financing or future financial results is uncertain at this time. Management has evaluated shifting market demands and adjusting the Company's strategic focus. As a result of COVID-19, the Company took steps to streamline certain expenses, including temporarily cutting certain executive compensation packages by approximately 20%. Management also worked to reduce unnecessary marketing expenditures and worked to improve staff and human capital expenditures, while maintaining overall workforce levels. If conditions permit, the Company expects to resume certain expenses, such as compensation, later in 2020. The Company expects but cannot guarantee that demand for its recruiting solutions will improve in the second half of 2020, as certain clients re-open or accelerate their hiring initiatives, and new clients utilize our services. The Company does not expect reductions made in Q2 2020 due to COVID-19 to inhibit its ability to meet client demand. Overall, management is focused on effectively positioning the Company for a rebound in hiring, which we expect to occur in the second half of 2020. Ultimately, the recovery may be delayed and the economic conditions may worsen. The Company continues to closely monitor the confidence of its recruiter users and customers, and their respective job requirement load through offline discussions and the Company's Recruiter Index survey, which surveys recruiters' sentiment on the job market and demand for recruiting services.

## Quarter Overview

During the three-months ended June 30, 2020, the Company focused on sales and marketing improvements, including marketing automation, and the development of a program for the hiring of distributed, independent sales personnel in order to service a high volume of client requests and to provide quality support to its larger clients. Company management additionally focused on developing effective investor relations, product management and roadmap development, and built additional partnership and potential acquisition opportunities.

Our key highlights during the three-months ended June 30, 2020 include the following

- Achieved 26,013 recruiters on our platform as of June 30, 2020;
- Hired a team to augment our Recruiters on Demand solution;

In April and May 2020, the Company received loans in the amount of \$398,545 from Radius Bank pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act administered by the U.S. Small Business Administration.

- Launched a new program to further incentivize recruiters on our platform by paying for resume submissions from recruiter users that, after manual review by Recruiter.com staff, are approved for sending to the Company's clients for open roles. Each approved resume submission from independent recruiters are compensated with a twenty-five dollar stipend, which is paid to the recruiter in the form of Amazon gift cards.
- Continued build-out and enhancement of our executive team, with the hiring of Evan Sohn, Chairman of the Board, as CEO and Judy Krandel as CFO, while effectively transitioning Miles Jennings to COO;

Entered into a Securities Purchase Agreement, effective May 28, 2020 with several accredited investors and sold to the Purchasers a total of (i) \$2,953,125 in the aggregate principal amount of 12.5% Original Issue Discount Senior Subordinated Secured Convertible Debentures, and (ii) 1,845,703 common stock purchase warrants, which represents 100% warrant coverage. The Company received a total of \$2,226,000 in net proceeds from the offering, after deducting the 12.5% original issue discount of \$328,125, offering expenses and commissions, including the placement agent's commission and fees of \$295,000, reimbursement of the placement agent's and lead investor's legal fees and the Company's legal fees in the aggregate amount of \$100,000 and escrow agent fees of \$4,000. The Company also agreed to issue to the placement agent, as additional compensation, 369,141 common stock purchase warrants exercisable at \$2.00 per share. The Debentures mature on May 28, 2021, subject to a six-month extension at the Company's option. The Debentures bear interest at 8% per annum payable quarterly, subject to an increase in case of an event of default as provided for therein. The Debentures are convertible into shares of Common Stock at any time following the date of issuance at the Purchasers' option at a conversion price of \$1.60 per share, subject to certain adjustments. The Debentures are subject to mandatory conversion in the event the Company closes an equity offering of at least \$5,000,000 resulting in the listing of the Company's common stock on a national securities exchange. The Debentures rank senior to all existing and future indebtedness of the Company and its subsidiaries, except for approximately \$508,000 of outstanding senior indebtedness. The Company may prepay the Debentures at any time at a premium as provided for therein. The Warrants are exercisable for three years from May 28, 2020 at an exercise price of \$2.00 per share, subject to certain adjustments;

- Received multiple major media appearances for the Recruiter Index, Recruiter.com's survey of recruiter sentiment on the job market and hiring and recruiting demand. Most notably, Evan Sohn appeared on CNBC to discuss the conditions of the job market; and
- Held a special meeting of shareholders and enacted the reincorporation of the Company's domicile to Nevada from Delaware and increased the authorized shares from 31,250,000 to 250,000,000.

## Results of Operations

*Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019:*

### Revenue

The Company had revenue of \$1,853,414 for the three-month period ended June 30, 2020, as compared to \$1,972,481 for the three-month period end June 30, 2019, representing a decrease of \$119,067 or 6%. This decrease resulted primarily from enterprise accounts reducing demand for billable consultants as well as reducing bill rates clients paid for consultants, as a result of the effect of the COVID-19 pandemic. The Company also had a decline in its licensing business, as our primary licensing customer reduced demand for hiring needs also as a result of the effect of the COVID-19 pandemic. The Company also experienced a decline in marketing revenue as we shifted internal resources to focus more on our core recruiting solutions business. The extent to which the COVID-19 pandemic will impact our revenue in the subsequent future periods is uncertain at this time.

### ***Cost of Revenue***

Cost of revenue for the three-month period ended June 30, 2020 was primarily attributable to third party staffing costs and other fees related to the recruitment and staffing business acquired from Genesys Talent, LLC, (currently the Company's Recruiting Solutions division). Cost of revenue was \$1,418,242 for the three-month period ended June 30, 2020, which included related party costs of \$298,712, compared to \$1,461,922 for the 2019 three-month period, and included related party costs of \$794,135.

Our gross profit for the three-month period ended June 30, 2020 was \$435,172, producing a gross profit margin of 23.5%. Our gross profit for the corresponding 2019 three month period was \$510,559, producing a gross profit margin of 25.9%. The decline in gross profit from 2019 to 2020 is primarily the result of a decline in sales for the period. The decline in the gross profit margin reflects a shift in the mix of business due to the decline in our licensing business.

### ***Operating Expenses***

We had total operating expenses of \$1,858,004 for the three-month period ended June 30, 2020 compared to \$2,701,335 in the 2019 period, a decrease of \$843,331 or 31.2%. This decrease was primarily due to a decrease in general and administrative expense of \$1,027,070 or 38.7%.

## Sales and Marketing

Our sales and marketing expense for the three-month period ended June 30, 2020 was \$15,068 compared to \$2,969 for the 2019 period, which reflects the focus on growth in our business. The Company endeavored to build traffic, content, and communications for the purpose of outreach to and engagement with its network of recruiters and to further build its network of recruiters.

## Product Development

Our product development expense for the three-months ended June 30, 2020 increased to \$57,401 from \$44,934 for the corresponding period in 2019, reflecting continued investment in our product offerings. The product development expense in both periods were paid in entirety to Recruiter.com Mauritius, Ltd, a development team employed by Recruiter.com and a related party of the Company.

## Amortization of Intangibles and Impairment Expense

For the three-month period ended June 30, 2020, we incurred a non-cash amortization charge of \$159,173 related to the intangible assets acquired from Genesys, now the Company's Recruiting Solutions division.

## General and Administrative

General and administrative expenses for the three-month period ended June 30, 2020 include compensation-related costs for our employees dedicated to general and administrative activities, legal fees, audit and tax fees, consultants and professional services, and general corporate expenses. For the three-month period ended June 30, 2020, our general and administrative expenses were \$1,626,362, including \$709,230 of non-cash stock based compensation. In 2019, for the corresponding period, our general and administrative expenses were \$2,653,432 including \$1,481,322 of non-cash stock-based compensation. This decrease is attributable primarily to the declines in non-cash stock-based compensation of \$772,092, legal expense of \$297,505 and consulting fees of \$126,000 partially offset by increases in compensation, software tools and other expenses.

## ***Other Income (Expenses)***

Other income (expenses) for the three-month period ended June 30, 2020 consisted of net expense of \$6,518,383 compared to net expense of \$89,213 in the corresponding 2019 period. The primary reason for the increase of \$6,429,170 is a non-cash initial derivative expense of \$3,340,554 related to the sale of convertible debentures as well as a non-cash expense of \$2,642,175 due to a change in the derivative value of warrants due to anti-dilution adjustments. Other expense also increased due to a non-cash expense of \$339,088 from the change in the fair value of the derivative liability from our outstanding warrants issued in 2019. As our common stock price increases, we incur an expense and contrarily if our common stock decreases, we recognize other income. We expect the non-cash income from the anticipated forgiveness of the loans we received under the Paycheck Protection Program to increase our other income, or alternatively decrease our other expense, as the case may be.

## ***Net loss***

For the three-months ended June 30, 2020, we incurred a net loss of \$7,941,215 compared to \$2,279,989 in the 2019 period. After taking into account the accrued preferred stock dividends as applicable, we incurred a net loss attributable to common shareholders of \$7,941,215 for the three-months ended June 30, 2020 compared to \$2,279,989 in the 2019 period. It is possible the net loss may increase in near-term future periods due to the effect of the COVID-19 pandemic, which we expect will be partially offset by non-cash income from forgiveness of the loans pursuant to the Paycheck Protection Program.

*Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019:*

## ***Revenue***

The Company had revenue of \$4,166,537 for the six months ended June 30, 2020, as compared to \$2,135,783 for the 2019 six-month period, an increase of \$2,030,754 or 95.1%. The increase resulted primarily from the acquisition in March 2019 of certain assets from Genesys, now the Company's Recruiting Solutions division, offset by enterprise accounts reducing demand for billable consultants as well as reducing bill rates clients paid for consultants, as a result of the effect of the COVID-19 pandemic. The Company also had a decline in our licensing business as our primary licensing customer reduced demand for hiring needs also as a result of the effect of the COVID-19 pandemic. The Company also experienced a decline in marketing revenue as we shifted internal resources to focus more on

our core solutions business. The extent to which the COVID-19 pandemic will impact our revenue in the subsequent future periods is uncertain at this time.

### ***Cost of Revenue***

Cost of revenue was primarily attributable to employee costs, third party staffing costs and other fees related to the recruitment and staffing business acquired from Genesys, now the Company's Recruiting Solutions division. Cost of revenue was \$3,169,438 for the six months ended June 30, 2020 and included related party costs of \$954,096. This compares to \$1,461,922 for the 2019 six-month period, which included related party costs of \$794,135.

Our gross profit for the 2020 six-month period was \$997,099 which produced a gross profit margin of 23.9%. Our gross profit for the 2019 six month period was \$673,861 which produced a gross profit margin of 31.6%. The decline in the gross profit margin reflects the impact of a reduction in bill rates from certain clients as well as a shift in the mix of business due to the decline in our licensing business and reduced focus on marketing revenue.

## ***Operating Expenses***

We had total operating expenses of \$4,274,456 for the six months ended June 30, 2020 compared to \$3,171,017 in the 2019 period, an increase of \$1,103,439 or 34.8%. The increase was primarily due to the increase in general and administrative expenses of \$702,045 as well as the inclusion of intangible amortization of \$318,346.

### Sales and Marketing

Our sales and marketing expense for the six months ended June 30, 2020 was \$40,311 compared to \$2,969 for the 2019 period, which reflects the focus on growth in the business.

### Product Development

Our product development expense for the six months ended June 30, 2020 increased to \$140,494 from \$94,788 for 2019 reflecting continued investment in our product offerings. The product development expense included \$118,380 and \$94,788 respectively paid to a development team employed by Recruiter.com Mauritius, a related party.

### Amortization of Intangibles and Impairment Expense

For the six months ended June 30, 2020, we incurred a non-cash amortization charge of \$318,346 related to the intangible assets acquired from Genesys, now the Company's Recruiting Solutions division.

### General and Administrative

General and administrative expenses include compensation-related costs for our employees dedicated to general and administrative activities, legal fees, audit and tax fees, consultants and professional services, and general corporate expenses. For the six months ended June 30, 2020, our general and administrative expenses were \$3,775,305, including \$1,650,202 of non-cash stock-based compensation. In 2019, our general and administrative expenses were \$3,073,260 including \$1,568,027 of non-cash stock-based compensation. The increase is attributable primarily to increases in compensation, software tools, and other expenses and non-cash stock-based compensation, partially offset by a decrease in professional fees.

## ***Other Income (Expenses)***

Other income (expenses) for the six months ended June 30, 2020 consisted of net expense of \$7,146,463 compared to net expense of \$165,155 in the 2019 period. The primary reason for the increase of \$6,981,308 is a non-cash initial derivative expense of \$3,340,554 related to the sale of convertible debentures and warrants as well as a non-cash expense of \$2,642,175 due to a change in the derivative value of warrants due to anti-dilution adjustments. Other expense also increased due to a non-cash expense of \$904,176 from the change in the fair value of the derivative liability from our outstanding warrants issued in 2019. As our common stock price increases, we incur an expense and contrarily if our common stock decreases, we recognize other income. We expect the non-cash income from the anticipated forgiveness of the loans we received under the Paycheck Protection Program to increase our other income, or alternatively decrease our other expense, as the case may be.

## ***Net loss***

For the six months ended June 30, 2020, we incurred a net loss of \$10,423,820 compared to \$2,662,311 in the 2019 period. After taking into account the accrued preferred stock dividends as applicable, we incurred a net loss attributable to common shareholders of \$10,423,820 for the six months ended June 30, 2020 compared to \$2,772,005 in the 2019 period. It is possible the net loss may increase in near-term future periods due to the effect of the COVID-19 pandemic, which we expect will be partially offset by non-cash income from forgiveness of the loans pursuant to the Paycheck Protection Program.

## **Non-GAAP Financial Measures**

The following discussion and analysis includes both financial measures in accordance with Generally Accepted Accounting Principles, or GAAP, as well as non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. Non-GAAP financial measures should be viewed



as supplemental to, and should not be considered as alternatives to net income, operating income, and cash flow from operating activities, liquidity or any other financial measures. They may not be indicative of the historical operating results of Recruiter nor are they intended to be predictive of potential future results. Investors should not consider non-GAAP financial measures in isolation or as substitutes for performance measures calculated in accordance with GAAP.

Our management uses and relies on EBITDA and Adjusted EBITDA, which are non-GAAP financial measures. We believe that both management and shareholders benefit from referring to the following non-GAAP financial measures in planning, forecasting and analyzing future periods. Our management uses these non-GAAP financial measures in evaluating its financial and operational decision making and as a means to evaluate period-to-period comparison. Our management recognizes that the non-GAAP financial measures have inherent limitations because of the described excluded items.

Recruiter defines Adjusted EBITDA as earnings (or loss) from continuing operations before the items in the table below. Adjusted EBITDA is an important measure of our operating performance because it allows management, investors and analysts to evaluate and assess our core operating results from period-to-period after removing the impact of items of a non-operational nature that affect comparability.

We have included a reconciliation of our non-GAAP financial measures to the most comparable financial measure calculated in accordance with GAAP. We believe that providing the non-GAAP financial measures, together with the reconciliation to GAAP, helps investors make comparisons between the Company and other companies. In making any comparisons to other companies, investors need to be aware that companies use different non-GAAP measures to evaluate their financial performance. Investors should pay close attention to the specific definition being used and to the reconciliation between such measure and the corresponding GAAP measure provided by each company under applicable SEC rules.

The following table presents a reconciliation of net loss to Adjusted EBITDA:

	<b>Three Months Ended</b>	
	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Net loss</b>	\$ (7,941,215)	\$ (2,279,989)
Interest expense and finance cost, net	203,874	14,340
Depreciation & amortization	159,462	96
<b>EBITDA (loss)</b>	(7,577,879)	(2,265,553)
Bad debt expense	750	-
Initial derivative expense	3,340,554	-
Change in derivative value due to anti-dilution adjustments	2,642,175	-
Loss (gain) on change in fair value of derivatives	339,088	(17,627)
Stock-based compensation	709,230	1,481,322
<b>Adjusted EBITDA (Loss)</b>	\$ (546,082)	\$ (801,858)

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Net loss</b>	\$ (10,423,820)	\$ (2,662,311)
Interest expense and finance cost, net	248,080	81,365
Depreciation & amortization	318,923	96
<b>EBITDA (loss)</b>	(9,856,817)	(2,580,850)
Bad debt expense	12,000	-
Initial derivative expense	3,340,554	-
Change in derivative value due to anti-dilution adjustments	2,642,175	-
Loss (gain) on change in fair value of derivatives	904,176	(17,627)
Stock-based compensation	1,650,202	1,568,027
<b>Adjusted EBITDA (Loss)</b>	\$ (1,307,710)	\$ (1,030,450)

### Liquidity and Capital Resources

For the six months ended June 30, 2020, net cash used in operating activities was \$1,040,601, compared to net cash used in operating activities of \$564,199 for the 2019 period. The increase in cash used in operating activities was attributable to the increase in operating expenses outlined previously supporting the investments to grow our business offset by non-cash charges, net of a decrease in working capital accounts primarily prepaid expenses and other current assets. Net loss (after adjusting for non-cash items) increased by approximately \$333,000 and accounts receivable, prepaid expenses and other current assets decreased by \$881,989 and accounts payable and accrued liabilities decreased by \$1,006,448.

For the six months ended June 30, 2020, investing activities provided \$17,009 from the sale of marketable securities, compared to \$14,963 of cash used in investing activities in the six months ended June 30, 2019, which resulted primarily from cash paid for software development and equipment.

For the six months ended June 30, 2020, net cash provided by financing activities was \$2,448,439. The principal factors were \$2,226,000 from the sale of convertible notes, net of original issue discounts and offering costs and \$398,545 of proceeds from notes payable, offset by \$261,866 for the repayments of liability from sale of future revenues. In the 2019 period, financing activities provided \$1,458,786, primarily due to \$979,997 from the sale of preferred stock and \$500,000 for a deposit on the purchase of preferred stock.

As of August 4, 2020 the Company had approximately \$1,193,864 cash on hand. This balance is after receipt of \$398,545 borrowed from a bank pursuant to the Paycheck Protection Program under the CARES Act guaranteed by the SBA, which we expect to be forgiven in part or in full, subject to our compliance with the conditions of the Paycheck Protection Program. This balance also is after receipt of approximately \$2.2 million in net proceeds from the offering of the 12.5% Original Issue Discount Senior Subordinated Convertible Debentures and common stock purchase warrants completed in May and June 2020. Based on the cash on hand as of August 4, 2020, the Company does not have the capital resources to meet its working capital needs for the next 12 months. We are also party to two lines of credit. Advances under each of these lines of credit mature within 12 months of the advances. Availability under these two lines of credit in the amount of \$91,300 at June 30, 2020 has been suspended in 2020 due to COVID-19 uncertainty.

The Company's unaudited condensed consolidated financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred net losses and negative operating cash flows since inception. For the three-months ended June 30, 2020 and the six months ended June 30, 2020, the Company recorded net losses of \$7,941,215 and \$10,423,820, respectively. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable.

The Company's historical operating results indicate substantial doubt exists related to the Company's ability to continue as a going concern. We can give no assurances that any additional capital that we are able to obtain, if any, will be sufficient to meet our needs, or that any such financing will be obtainable on acceptable terms. If we are unable to obtain adequate capital, we could be forced to cease operations or substantially curtail our commercial activities. These conditions raise substantial doubt as to our ability to continue as a going concern. The accompanying unaudited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities should we be unable to continue as a going concern.

To date, private placement offerings have been our primary source of liquidity and we expect to fund future operations through additional securities offerings. We have also entered into arrangements with factoring companies to receive advances against certain future accounts receivable in order to supplement our liquidity. However, the COVID-19 pandemic and debt covenants under outstanding debt and other financing arrangements have affected the Company's ability to receive advances against its future accounts receivable as discussed in more detail below.

## Financing Arrangements

### *Merchant Receivables Purchase and Security Agreements*

The Company and its subsidiaries are parties to a Merchant Receivables Purchase and Security Agreement, dated December 6, 2019 (the "First Receivables Purchase Agreement"), with Change Capital Holdings I, LLC ("Change Capital") and a Merchant Receivables Purchase and Security Agreement, dated December 16, 2019, with Change Capital (the "Second Receivables Purchase Agreement" and together with the First Receivables Purchase Agreement, the "Receivables Purchase Agreements"). Pursuant to the Receivables Purchase Agreements, Change Capital has agreed to advance a total of \$450,000 in cash (the "Purchase Price") and the Company and its subsidiaries agreed to pay Change Capital in equal weekly installments over the course of 52 weeks an amount of approximately \$567,000 (the "Specified Amount"), which amount includes the fees payable by the Company under the Receivables Purchase Agreements. As long as no default has occurred under the Receivables Purchase Agreements, the Company has the right to pay the remaining balance of the Specified Amount to Change Capital prior to the due date at a total cost of 3% of the Purchase Price per month. Pursuant to the Receivables Purchase Agreements, the Company and the subsidiaries party to the Receivables Purchase Agreements also granted to Change Capital a security interest in all their assets now owned or acquired in the future. In May 2020, the Receivables Purchase Agreements were amended to limit the outstanding principal amount to \$408,777 payable as two payments of \$5,452 weekly, plus any default fees, late fees, legal fees and expenses and any other costs or expenses incurred in enforcing Change Capital's rights under the Receivables Purchase Agreements. As of Aug 4, 2020, there are no other fees owed under the Receivables Purchase Agreements in addition to the two weekly payments. The Company does not anticipate receiving any additional advances under the Receivables Purchase Agreements. The Receivables Purchase Agreements contain covenants which limit the Company's ability to enter into any secured financing agreements without the prior written consent of Change Capital. The transactions pursuant to the Receivables Purchase Agreements have been accounted for as "Sale of Future Revenues."

### *Agreement with Qwil PBC*

A wholly-owned subsidiary of the Company is also a party to an arrangement with Qwil PBC, entered into in January 2020, that provides advances against the collection of accounts receivable. Advances made under the agreement are generally repayable in 45 days from the date of the advance and bear interest at 1.5% per month. In April 2020, Qwil informed the Company that it would not be able to advance additional funds pursuant to this arrangement due to the impact of the COVID-19 pandemic. In May 2020, the Company negotiated a more favorable repayment plan with Qwil PBC, which consists of payments of approximately \$7,903 bi-weekly through August 14<sup>th</sup>, 2020 and a payment of \$7903 weekly from August 21<sup>st</sup> through September 18<sup>th</sup>, without additional interest. As of Aug 10, 2020, our outstanding balance with Qwil PBC was approximately \$47,419.56.

The advances received pursuant to the arrangements with Change Capital and Qwil are carried as liabilities on our balance sheet and the accounts receivable remain on our books until collected.

*Senior Subordinated Secured Convertible Debentures*

In May and June 2020, the Company entered into a Securities Purchase Agreement, effective May 28, 2020 (the “Purchase Agreement”) with several accredited investors (the “Purchasers”). Four of the investors had previously invested in the Company’s preferred stock. Pursuant to the Purchase Agreement, the Company sold to the Purchasers a total of (i) \$2,953,125 in the aggregate principal amount of 12.5% Original Issue Discount Senior Subordinated Secured Convertible Debentures (the “Debentures”), and (ii) 1,845,703 common stock purchase warrants (the “Warrants”), which represents 100% warrant coverage. The Company received a total of \$2,226,000 in net proceeds from the offering, after deducting the 12.5% original issue discount of \$328,125, offering expenses and commissions, including the placement agent’s commission and fees of \$295,000 and reimbursement of the placement agent’s and lead investor’s legal fees and the Company’s legal fees in the aggregate amount of \$100,000 and escrow agent fees of \$4,000. The Company also agreed to issue to the placement agent, as additional compensation, 369,141 common stock purchase warrants exercisable at \$2.00 per share.

The Debentures mature on May 28, 2021, subject to a six-month extension at the Company's option. The Debentures bear interest at 8% per annum payable quarterly, subject to an increase in case of an event of default as provided for therein. The Debentures are convertible into shares of the Company's common stock at any time following the date of issuance at the purchasers' option at a conversion price of \$1.60 per share, subject to certain adjustments. The Debentures are subject to mandatory conversion in the event the Company closes an equity offering of at least \$5,000,000 resulting in the listing of the Company's common stock on a national securities exchange. The Debentures rank senior to all existing and future indebtedness of the Company and its subsidiaries, except for approximately \$508,000 of outstanding senior indebtedness. The Company may prepay the Debentures at any time at a premium as provided for therein.

The Company's obligations under the Debentures are secured by a first priority lien on all of the assets of the Company and its subsidiaries, subject to certain existing senior liens. The Company's obligations under the Debentures are guaranteed by the Company's subsidiaries.

The Securities Purchase Agreement for the Debentures and Warrants contains customary representations, warranties and covenants of the Company, including, among other things and subject to certain exceptions, covenants that restrict the ability of the Company and its subsidiaries, without the prior written consent of the Debenture holders, to incur additional indebtedness, including further advances under a certain preexisting secured loan, and repay outstanding indebtedness, create or permit liens on assets, repurchase stock, pay dividends or enter into transactions with affiliates. The Debentures contain customary events of default, including, but not limited to, failure to observe covenants under the Debentures, defaults on other specified indebtedness, loss of admission to trading on OTCQB or another applicable trading market, and occurrence of certain change of control events. Upon the occurrence of an event of default, an amount equal to 130% of the principal, accrued but unpaid interest, and other amounts owing under each Debenture will immediately come due and payable at the election of each Purchaser, and all amounts due under the Debentures will bear interest at an increased rate.

In order to meet our working capital needs for the next 12 months, we expect to finance our operations through additional debt or equity offerings. We may not be able to complete these or any other financing transactions on terms acceptable to the Company, or at all. Additionally, any future sales of securities to finance our operations will likely dilute existing shareholders' ownership. The Company cannot guarantee when or if it will generate positive cash flow. If we are unable to raise sufficient capital to fund our operations, it is likely that we will be forced to reduce or cease operations.

### **Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding management's beliefs with respect to the impact of the COVID-19 pandemic, including the anticipated effect of client attrition, expected changes in expenses, expected increase in future demand for recruiting solutions, and the anticipated impact of our cost-cutting measures on our ability to meet client demand, our expected decrease in future revenues and increase in the net loss, our expectations regarding advances under the Receivables Purchase Agreements, expected future capital-raising activity, expected forgiveness of the loans received under the Paycheck Protection Program and the anticipated effect of such forgiveness on our operating results, and our liquidity. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including without limitation, the following:

- our ability to continue as a going concern;
- our ability to raise additional capital to support our operations;
- the effect of COVID-19 on our Company and the national and global economies;
- our ability to achieve positive cash flow from operations;
- continued demand for services of recruiters;
- unanticipated costs, liabilities, charges or expenses resulting from violations of covenants under our existing or future financing agreements;
- our ability to operate the Recruiter.com Platform free of security breaches; and

- our ability to identify suitable complimentary businesses and assets as potential acquisition targets or strategic partners, and to successfully integrate such businesses and /or assets with the Company’s business.

Please refer to “Part I – Item 1A. Risk Factors” of our 2019 Form 10-K for additional information regarding the risks and uncertainties that could affect our business, financial condition and results of operations. New risk factors emerge from time-to-time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except as otherwise required by applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this Quarterly Report, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Quarterly Report.

## Off-Balance Sheet Arrangements

None.

## Critical Accounting Estimates and Recent Accounting Pronouncements

### *Critical Accounting Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (“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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results and outcomes may differ from management’s estimates and assumptions. Included in these estimates are assumptions used to estimate collection of accounts receivable, fair value of available for sale securities, fair value of derivative liabilities, fair value of securities issued for acquisitions, fair value of assets acquired and liabilities assumed in the business combination, fair value of intangible assets and goodwill, valuation of initial right of use assets and corresponding lease liabilities, deferred income tax asset valuation allowances, and valuation of stock based compensation expense.

### *Revenue Recognition*

The Company recognizes revenue in accordance with the Financial Accounting Standards Board’s (“FASB”), Accounting Standards Codification (“ASC”) ASC 606, Revenue from Contracts with Customers (“ASC 606”). Revenues are recognized when control is transferred to customers in amounts that reflect the consideration the Company expects to be entitled to receive in exchange for those goods. Revenue recognition is evaluated through the following five steps: (i) identification of the contract, or contracts, with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Revenues are predominantly derived from the following activities:

- **Consulting and Staffing.** Represents consulting and staffing personnel provided to customers to satisfy demand for permanent and temporary employee needs.
- **Recruiting Solutions.** Facilitated by our Job Market software platform and artificial intelligence matching technologies, placement of specialized personnel at employers, generating success-based fees for candidate referrals for direct-hire.
- **Career Solutions.** Consisting of (i) Resume Distribution, whereby we send out candidate resumes to our network of independent recruiters and (ii) Recruiter Certification Program, whereby users access our recruitment training content through an online learning management system.
- **Marketing Solutions.** Web portal monetization, lead generation, and digital publication advertising, structured for specialized B2B software companies to access niche industry audience, primarily of recruitment and HR audience.

Consulting and Staffing Services revenues represent services rendered to customers less sales adjustments and allowances. We record substantially all revenue on a gross basis as a principal versus on a net basis as an agent in the presentation of this line of revenues and expenses. We have concluded that gross reporting is appropriate because we have the risk of identifying and hiring qualified employees and has the discretion to select the employees and establish their price and duties and bears the risk for services that are not fully paid for by customers. Consulting and staffing revenues are recognized when the services are rendered by the temporary employees. Payroll and related taxes of employees that are placed on temporary assignment are outsourced to third party payors or related party payors. The payors pay all related costs of employment, including workers’ compensation insurance, state and federal unemployment taxes, social security and certain fringe benefits. We assume the risk of acceptability of the employees to its customers.

Direct hire recruitment placement revenues are recognized on a gross basis when the guarantee period specified in the customer contract expires. No fees for direct hire placement services are charged to employment candidates. Any payments received prior to the expiration of the guarantee period are recorded as a deferred revenue liability.



Career services revenues are recognized on a gross basis upon distribution of resumes or completion of training courses, which is the point that the performance obligations are satisfied.

Marketing and publishing services revenues are recognized on a gross basis when the advertising is placed and displayed or when lead generation activities and online publications are completed, which is the point that the performance obligations are satisfied.

Deferred revenue results from transactions in which the Company has been paid for services by customers, but for which all revenue recognition criteria have not yet been met. Once all revenue recognition criteria have been met, the deferred revenues are recognized.

### *Goodwill*

Goodwill is comprised of the purchase price of business combinations in excess of the fair value assigned at acquisition to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized. The Company tests goodwill for impairment for its reporting units on an annual basis, or when events occur or circumstances indicate the fair value of a reporting unit is below its carrying value.

The Company performs its annual goodwill and impairment assessment on December 31st of each year or earlier if facts and circumstances indicate that an impairment may have occurred.

### *Long-lived assets*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. The Company periodically evaluates whether events and circumstances have occurred that indicate possible impairment. When impairment indicators exist, the Company estimates the future undiscounted net cash flows of the related asset or asset group over the remaining life of the asset in measuring whether or not the asset values are recoverable.

### *Derivative Instruments*

The Company's derivative financial instruments consist of embedded derivatives related to the warrants issued with the sale of our preferred stock in 2020 and 2019 and the warrants issued with the sale of convertible notes in 2020. The accounting treatment of derivative financial instruments requires that we record the derivatives at their fair values as of the inception date of the debt agreements and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense at each balance sheet date. If the fair value of the derivatives was higher at the subsequent balance sheet date, we recorded a non-operating, non-cash charge. If the fair value of the derivatives was lower at the subsequent balance sheet date, we recorded non-operating, non-cash income.

### *Stock-Based Compensation*

The Company accounts for all stock-based payment awards made to employees, directors and others based on their fair values and recognizes such awards as compensation expense over the vesting period using the straight-line method over the requisite service period for each award as required by FASB ASC Topic No. 718, Compensation-Stock Compensation. If there are any modifications or cancellations of the underlying vested or unvested stock-based awards, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense, or record additional expense for vested stock-based awards. Future stock-based compensation expense and unearned stock-based compensation may increase to the extent we grant additional stock options or other stock-based awards.

### *Recently Issued Accounting Pronouncements*

There have not been any recent changes in accounting pronouncements and ASU issued by the FASB that are of significance or potential significance to the Company except as disclosed below.

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes." This guidance, among other provisions, eliminates certain exceptions to existing guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This guidance also requires an entity to reflect the effect of an enacted change in tax laws or rates in its effective income tax rate in the first interim period that includes the enactment date of the new legislation, aligning the timing of recognition of the effects from enacted tax law changes on the effective income tax rate with the effects on deferred income tax assets and liabilities. Under existing guidance, an entity recognizes the effects of the enacted tax law change on the effective income tax rate in the period that includes the effective date of the tax law. ASU 2019-12 is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of this guidance.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Our management carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, required by Rule 13a-15 or 15d-15 of the Securities Exchange Act of 1934 (the “Exchange Act”) of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act. In making this assessment, our management used the criteria set forth by the Committee of Sponsor Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework). Based on their evaluation as of the end of the period covered by this Quarterly Report, our Chief Executive Officer and our Chief Financial Officer, have concluded as a result of the material weaknesses described below, that our disclosure controls and procedures were not effective to ensure that the information relating to our Company, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management to allow timely decisions regarding required disclosure as a result of material weaknesses in our internal control over financial reporting.

Management has determined that, as of June 30, 2020 there were material weaknesses in both the design and effectiveness of our internal control over financial reporting. A material weakness in internal controls is a deficiency in internal control, or combination of control deficiencies, that adversely affects our ability to initiate, authorize, record, process, or report external financial data reliably in accordance with GAAP such that there is more than a remote likelihood that a material misstatement of our annual or interim financial statements that is more than inconsequential will not be prevented or detected. In the course of making our assessment of the effectiveness of internal controls over financial reporting, we identified at least two material weaknesses in our internal control over financial reporting. Specifically, (1) we lack a sufficient number of employees to properly segregate duties and provide adequate review of the preparation of the consolidated financial statements and, as of that date, (2) we lacked sufficient independent directors on our Board of Directors to maintain audit and other committees consistent with proper corporate governance standards. As of the end of the period covered by this Quarterly Report, these material weaknesses have not been cured. During the three-months ended March 31, 2020, the Company planned and developed strategies to improve accounting operations and remediate these material weaknesses, including appointing a new Chief Financial Officer. In May 2020, the Board of Directors appointed Judy Krandel as the Chief Financial Officer of the Company, effective upon the filing of the Company’s Quarterly Report for the period ended March 31, 2020, which was filed on June 25, 2020.

#### **Changes in Internal Control over Financial Reporting**

At the end of the three-months ended June 30, 2020, the Company hired Ms. Krandel as CFO which we believe is reasonably likely to materially affect our internal control over financial reporting in future quarters. During July 2020, the Company hired a financial consultant to establish certain procedures that we also believe is reasonably likely to materially affect our internal control over financial reporting in future quarters.

## **PART II: OTHER INFORMATION**

### **ITEM 1 - LEGAL PROCEEDINGS**

As of the date of this Quarterly Report, there are no material pending legal or governmental proceedings relating to our Company or properties to which we are a party, and, to our knowledge, there are no material proceedings to which any of our directors, executive officers or affiliates are a party adverse to us or which have a material interest adverse to us.

### **ITEM 1A. - RISK FACTORS**

Factors that could cause or contribute to differences in our future financial and operating results include those discussed in the risk factors set forth in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2019 and in Item 8.01 of our Current Report on Form 8-K filed on May 15, 2020 (the "May 2020 8-K"). The risks described in our Form 10-K and in the May 2020 8-K are not the only risks that we face. Additional risks not presently known to us or that we do not currently consider significant may also have an adverse effect on the Company. If any of the risks actually occur, our business, results of operations, cash flows or financial condition could suffer.

There have been no material changes to the risk factors set forth in Item 1A of our 10-K or in the May 2020 8-K.

### **ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **ITEM 3 - DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4 - MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5 - OTHER INFORMATION**

We are providing the following disclosure in lieu of filing a Current Report on Form 8-K relating to: "Item 1.01—Entry into a Material Definitive Agreement," and "Item 3.02—Unregistered Sales of Equity Securities," of Form 8-K.

We entered into an executive employment agreement on July 1, 2020 (the "Employment Agreement") with Chad MacRae as the Senior Vice President Recruiters on Demand. The Employment Agreement specifies that certain customer contracts, databases, and computer equipment were to be transferred to the Company in connection with the hiring of Mr. MacRae. The Company's management is currently evaluating the proper accounting treatment for this transaction. Mr. MacRae's compensation package includes a \$50,000 signing bonus and an annual base salary of \$125,000. He is also entitled to earn a bonus package capped at \$350,000 equal to any profit his division generates during the first full year of his employment, payable on a quarterly basis (the "Bonus"). In addition, Mr. MacRae received five-year incentive stock options to purchase 250,000 shares of the Company's common stock with an exercise price of \$1.85, issuable under the 2017 Equity Incentive Plan. The options will vest on the last calendar day of each month over a 12 month period in equal monthly increments, subject to continued employment with the Company as of each applicable vesting date and subject to execution of the Company's standard Stock Option Agreement. Unless the Executive is terminated by the Company for Cause (as defined in the Employment Agreement) before all the stock options have vested then, upon termination, any remaining unvested stock options shall automatically accelerate and vest. Upon a termination for Cause, all unvested options shall terminate.

If the Bonus compensation totals \$350,000, the Company shall issue to the Executive, subject to approval by the Company's Board, qualified options to purchase an additional 250,000 shares of the Company's common stock at an exercise price equal to the market price as of the date the Bonus compensation is computed, subject to adjustment for any increase or decrease in the number of issued shares resulting from a stock dividend, stock split, reverse stock split, or other subdivision or consolidation of shares. These options shall vest over a two (2) year period in equal quarterly installments on the last day of each calendar quarter beginning with the first full calendar quarter after computation of the Bonus compensation totalling \$350,000, subject to the Executive's continued employment with the Company as of each applicable vesting date.

The foregoing description of the terms of the Debentures, the Warrants, Employment Agreement and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the Employment Agreement filed as Exhibit 10.3 to this Quarterly Report on Form 10-Q.

## ITEM 6 – EXHIBITS

The following exhibits are filed as part of this Quarterly Report:

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date	Number	
4.1	<a href="#">Form of 12.5% Original Issue Discount Senior Subordinated Secured Convertible Debentures issued May 28, 2020 by the Company to the Purchasers</a>				X
4.2	<a href="#">Form of Common Stock Purchase Warrant issued May 28, 2020 by the Company to the Purchasers</a>				X
10.1	<a href="#">Form of Securities Purchase Agreement entered into by and between the Company and the Purchasers on May 28, 2020</a>				X
10.2	<a href="#">Form of Security Agreement entered into by and between the Company and the Purchasers on May 28, 2020</a>				X
10.3	<a href="#">Employment Agreement between the Company and Chad MacRae, dated July 1, 2020.</a>				X
10.4	<a href="#">Consulting Agreement by and between the Company and Judy Krandel, dated April 30, 2020*</a>	8-K	5/20/20	10.1	
10.5	<a href="#">Employment Agreement between the Company and Evan Sohn, dated June 19, 2020.*</a>	8-K	6/22/20	10.1	
31.1	<a href="#">Certification of Principal Executive Officer (302)</a>				X
31.2	<a href="#">Certification of Principal Financial Officer (302)</a>				X
32.1	<a href="#">Certification of Principal Executive and Principal Financial Officer (906)</a>				X**
101.INS	XBRL Instance Document				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X

\* Management contract or compensatory plan or arrangement.

\*\* This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

## 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.

Dated: August 13, 2020

### **RECRUITER.COM GROUP, INC.**

By: /s/ Evan Sohn  
Evan Sohn  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Judy Krandel  
Judy Krandel  
Chief Financial Officer  
(Principal Financial Officer)

## Execution Version

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

Original Issue Date: May 28, 2020

Original Conversion Price (subject to adjustment herein): **\$1.60**

\$ \_\_\_\_\_

**12.5% ORIGINAL ISSUE DISCOUNT SENIOR SUBORDINATED SECURED  
CONVERTIBLE DEBENTURE  
DUE MAY 28, 2021**

THIS 12.5% ORIGINAL ISSUE DISCOUNT SENIOR SUBORDINATED SECURED CONVERTIBLE DEBENTURE is one of a series of duly authorized and validly issued 12.5% Original Issue Discount Senior Subordinated Secured Convertible Debentures of Recruiter.com Group, Inc., a Nevada corporation (the "Company"), having its principal place of business at 100 Waugh Dr. Suite 300, Houston, Texas, 77007, designated as its 12.5% Original Issue Discount Subordinated Secured Convertible Debenture due May 28, 2021 (this debenture, the "Debenture" and, collectively with the other debentures of such series, the "Debentures").



FOR VALUE RECEIVED, the Company promises to pay to \_\_\_\_\_ or its registered assigns (the “Holder”), or shall have paid pursuant to the terms hereunder, the principal sum of \$ \_\_\_\_\_ on May 28, 2021 (subject to extension as provided herein, the “Maturity Date”) or such earlier date as this Debenture is required or permitted to be repaid as provided hereunder, and to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture in accordance with the provisions hereof. This Debenture is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Debenture, (a) capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Agreement and (b) the following terms shall have the following meanings:

“Alternate Consideration” shall have the meaning set forth in Section 5(e).

“Bankruptcy Event” means any of the following events: (a) the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Significant Subsidiary thereof, (b) there is commenced against the Company or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement, (c) the Company or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered, (d) the Company or any Significant Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment, (e) the Company or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors, (f) the Company or any Significant Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts, (g) the Company or any Significant Subsidiary thereof admits in writing that it is generally unable to pay its debts as they become due, (h) the Company or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

“Base Conversion Price” shall have the meaning set forth in Section 5(b).

“Beneficial Ownership Limitation” shall have the meaning set forth in Section 4(d).

“Business Day” means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to “stay at home”, “shelter-in-place”, “non-essential employee” or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in The City of New York are generally are open for use by customers on such day.

“Buy-In” shall have the meaning set forth in Section 4(c)(v).

“Change of Control Transaction” means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or “group” (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 33% of the voting securities of the Company (other than by means of conversion of the Debentures), (b) the Company merges into or consolidates with any other Person, or any Person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than 66% of the aggregate voting power of the Company or the successor entity of such transaction, (c) the Company (and all of its Subsidiaries, taken as a whole) sells or transfers all or substantially all of its assets to another Person and the stockholders of the Company immediately prior to such transaction own less than 66% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a three year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the date hereof), or (e) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above.

“Conversion” shall have the meaning ascribed to such term in Section 4.

“Conversion Date” shall have the meaning set forth in Section 4(a).

“Conversion Price” shall have the meaning set forth in Section 4(b).

“Conversion Schedule” means the Conversion Schedule in the form of Schedule 1 attached hereto.

“Conversion Shares” means, collectively, the shares of Common Stock issuable upon conversion of this Debenture in accordance with the terms hereof.

“Debenture Register” shall have the meaning set forth in Section 2(c).

“Dilutive Issuance” shall have the meaning set forth in Section 5(b).

“Dilutive Issuance Notice” shall have the meaning set forth in Section 5(b).

“Event of Default” shall have the meaning set forth in Section 8(a).

“Extension Amount” means 110% of the sum of (a) the outstanding principal amount of this Debenture at the expiration of the original Maturity Date, plus (b) accrued and unpaid interest thereon at the expiration of the original Maturity Date, plus (c) all other amounts, costs, expenses and liquidated damages due in respect of this Debenture at the expiration of the original Maturity Date.

“Fundamental Transaction” shall have the meaning set forth in Section 5(e).

“Interest Payment Date” shall have the meaning set forth in Section 2(a).

“Late Fees” shall have the meaning set forth in Section 2(d).

“Mandatory Default Amount” means the sum of (a) 130% of the outstanding principal amount of this Debenture, plus (b) 130% of accrued and unpaid interest hereon, and (c) 130% of all other amounts, costs, expenses and liquidated damages due in respect of this Debenture.

“New York Courts” shall have the meaning set forth in Section 9(d).

“Notice of Conversion” shall have the meaning set forth in Section 4(a).

“Original Issue Date” means the date of the first issuance of the Debentures, regardless of any transfers of any Debenture and regardless of the number of instruments which may be issued to evidence such Debentures.

“Permitted Indebtedness” means (a) the indebtedness evidenced by the Debentures, (b) the Indebtedness existing on the Original Issue Date and set forth on Schedule 3.1(bb) attached to the Purchase Agreement, (c) indebtedness of up to an aggregate of \$50,000, inclusive of any interest, fees, penalties or other amounts due or payable thereunder, (d) indebtedness under agreements or arrangements with respect to refinancing the Indebtedness set forth on Schedule 3.1(bb) to the Purchase Agreement, provided that the terms of such refinancing are more favorable to the Company and are no more favorable to the holders of such Indebtedness than the terms of the Debentures, (e) indebtedness supported by the U.S. Small Business Administration (the “SBA”) under the Payroll Protection Program and any future similar relief programs pursuant to the (i) Coronavirus Aid, Relief, and Economic Security Act of 2020, as supplemented by regulations promulgated by the SBA, and (ii) future Congressional legislation which is enacted into law and contains forgiveness of indebtedness provisions, and (f) indebtedness under a factoring agreement, merchant cash advance agreement or similar arrangement, provided that (i) such indebtedness is junior to the indebtedness evidenced by the Debentures, and (ii) the amount of such indebtedness (not including the Indebtedness existing on the Original Issue Date and set forth on Schedule 3.1(bb) attached to the Purchase Agreement) shall not exceed \$250,000 at any time.

“Permitted Lien” means the individual and collective reference to the following: (a) Liens for taxes, assessments and other governmental charges or levies not yet due or Liens for taxes, assessments and other governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Company) have been established in accordance with GAAP, (b) Liens imposed by law which were incurred in the ordinary course of the Company’s business, such as carriers’, warehousemen’s and mechanics’ Liens, statutory landlords’ Liens, and other similar Liens arising in the ordinary course of the Company’s business, and which (x) do not individually or in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company and its consolidated Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing for the foreseeable future the forfeiture or sale of the property or asset subject to such Lien, (c) Liens incurred in connection with Permitted Indebtedness under clauses (a) and (b) thereunder, and (d) Liens incurred in connection with Permitted Indebtedness under clause (f) thereunder, provided that such Liens are not secured by assets of the Company or its Subsidiaries other than the assets acquired or leased.

“Prepayment Amount” means the product of (i) the sum of (a) the outstanding principal amount of this Debenture, plus (b) accrued and unpaid interest hereon, plus (c) all other amounts, costs, expenses and liquidated damages due in respect of this Debenture, multiplied by (ii) (x) 1.15 if the Company prepays this Debenture within 365 calendar days after the Original Issue Date, or (y) 1.30 if the Debenture is automatically extended pursuant to the terms of Section 2(f) and the Company prepays this Debenture prior to the end of such extended term.

“Purchase Agreement” means the Securities Purchase Agreement, dated as of May 28, 2020 by and among the Company and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

“Qualified Offering” shall mean an offering of Common Stock (and other securities potentially) for an aggregate price of at least \$5,000,000 resulting in the listing for trading of the Common Stock on the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing).

“Qualified Offering Conversion Price” shall mean the lower of (i) the Conversion Price, (ii) the price per share equal to the quotient of (A) the sum of (x) the number of shares Common Stock issued and outstanding on the date immediately prior to the closing date of the Qualified Offering, plus (y) the number of shares of Common Stock issuable upon conversion of any shares of preferred stock of the Company that are issued and outstanding on the date immediately prior to the closing date of the Qualified Offering, plus (z) the number of shares of Common Stock issuable upon vesting of the Company’s restricted stock units, divided by (B) \$36 million, and (iii) 80% of the Qualified Offering Price.

“Qualified Offering Price” shall mean the price per share (or unit, if units are offered in the Qualified Offering) at which the Qualified Offering is made. For the avoidance of doubt, if a unit includes more than one share of Common Stock, “Qualified Offering Price” shall mean the unit price divided by the number of shares of Common Stock contained in a unit.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Share Delivery Date” shall have the meaning set forth in Section 4(c)(ii).

“Successor Entity” shall have the meaning set forth in Section 5(e).

“Trading Day” means a day on which the principal Trading Market is open for trading.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, OTCQB or OTCQX (or any successors to any of the foregoing).

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported on The Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

## Section 2. Interest.

a) Payment of Interest. The Company shall pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture at the rate of 8% per annum, payable quarterly on January 1, April 1, July 1 and October 1, beginning on the first such date after the Original Issue Date, on each Conversion Date (as to that principal amount then being converted) and on the Maturity Date (each such date, an “Interest Payment Date”) (if any Interest Payment Date is not a Business Day, then the applicable payment shall be due on the next succeeding Business Day), in cash (subject to the Holder’s right, in its sole discretion, to convert any accrued but unpaid interest into shares of Common Stock in accordance with Section 4).

b) [Reserved].

c) Interest Calculations. Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30 calendar day periods, and shall accrue daily commencing on the Original Issue Date until payment in full of the outstanding principal, together with all accrued and unpaid interest, liquidated damages and other amounts which may become due hereunder, has been made. Interest shall cease to accrue with respect to any principal amount converted, provided that, the Company actually delivers the Conversion Shares within the time period required by Section 4(c)(ii) herein. Interest hereunder will be paid to the Person in whose name this Debenture is registered on the records of the Company regarding registration and transfers of this Debenture (the “Debenture Register”).

d) Late Fee. All overdue accrued and unpaid interest to be paid hereunder shall entail a late fee at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law (the “Late Fees”) which shall accrue daily from the date such interest is due hereunder through and including the date of actual payment in full.

e) Prepayment. The Company shall have the option to prepay this Debenture at any time after the Original Issue Date at an amount equal to the Prepayment Amount.

f) Extension of Maturity Date. In the event that any portion of this Debenture remains outstanding at the original Maturity Date of this Debenture (for purposes of this Section 2(f) only, the “Original Maturity Date”), the Company, at its sole discretion and with no further action of the Holder, has the right to automatically extend the Maturity Date of this Debenture for an additional six (6) month period such that the Debenture shall be due and payable on November 28, 2021; provided, however, that immediately after the expiration of the Original Maturity Date, all amounts due and payable on the Debenture shall be increased by the Extension Amount. By way of example, if immediately prior to the Original Maturity Date, the amount due and payable to the Holder on the Debenture is an aggregate of \$1,000,000 including all accrued but unpaid interest and all other amounts, costs, expenses and liquidated damages due in respect of this Debenture, then immediately following the Original Maturity Date, with no further action by the Company or the Holder, the amount due and payable on this Debenture shall be increased to \$1,100,000 (for the avoidance of doubt, if immediately thereafter Company then determined to prepay the Debenture in full, the Holder would be due the Prepayment Amount which would be \$1,430,000). At least ten (10) Business Days prior to such extension, the Company must file a Current Report on Form 8-K with the Commission and/or issue a press release disclosing its intention to extend the Maturity Date, during which period the Holder shall retain the right to convert this Debenture, including accrued interest due thereon, on the terms set forth herein. Failure to file a Form 8-K and issue a press release on a timely basis shall not preclude the Company from automatically extending the Maturity Date, but if the Company has not paid the outstanding amounts under this Debenture on or prior to the expiration of the Original Maturity Date, notwithstanding the automatic extension of the Maturity Date, this Debenture shall be deemed to be in default under Section 8 hereof.

### Section 3. Registration of Transfers and Exchanges.

a) Different Denominations. This Debenture is exchangeable for an equal aggregate principal amount of Debentures of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.

b) Investment Representations. This Debenture has been issued subject to certain investment representations of the original Holder set forth in the Purchase Agreement and may be transferred or exchanged only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations.

c) Reliance on Debenture Register. Prior to due presentment for transfer to the Company of this Debenture, the Company and any agent of the Company may treat the Person in whose name this Debenture is duly registered on the Debenture Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

#### Section 4. Conversion.

a) Voluntary Conversion. At any time after the Original Issue Date until this Debenture is no longer outstanding, this Debenture (including all accrued but unpaid interest and all other amounts, costs, expenses and liquidated damages due in respect of this Debenture) shall be convertible, in whole or in part, into shares of Common Stock at the option of the Holder, at any time and from time to time (subject to the conversion limitations set forth in Section 4(d) hereof). The Holder shall effect conversions by delivering to the Company a Notice of Conversion, the form of which is attached hereto as Annex A (each, a "Notice of Conversion"), specifying therein the principal amount of this Debenture to be converted and the date on which such conversion shall be effected (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is deemed delivered hereunder. No ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion form be required. To effect conversions hereunder, the Holder shall not be required to physically surrender this Debenture to the Company unless the entire principal amount of this Debenture, plus all accrued and unpaid interest thereon, has been so converted in which case the Holder shall surrender this Debenture as promptly as is reasonably practicable after such conversion without delaying the Company's obligation to deliver the shares on the Share Delivery Date. Conversions hereunder shall have the effect of lowering the outstanding principal amount of this Debenture in an amount equal to the applicable conversion. The Holder and the Company shall maintain records showing the principal amount(s) converted and the date of such conversion(s). The Company may deliver an objection to any Notice of Conversion within one (1) Business Day of delivery of such Notice of Conversion. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. **The Holder, and any assignee by acceptance of this Debenture, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Debenture, the unpaid and unconverted principal amount of this Debenture may be less than the amount stated on the face hereof.**

b) Conversion Price. The conversion price in effect on any Conversion Date shall be equal to **\$1.60**, subject to adjustment herein (the "Original Conversion Price"); provided, however, that if at any time after the Original Issue Date there shall be an Event of Default, beginning on the six (6) month anniversary of the Original Issue Date, the conversion price in effect on any Conversion Date shall be the lesser of (i) the Original Conversion Price and (ii) 60% of the second lowest closing price of the Company's Common Stock during the 20 Trading Day period immediately prior to the applicable Conversion Date (on an as adjusted basis giving effect to any splits, dividend and the like during such 20 Trading Day period) (the "Alternate Conversion Price") and, the Alternate Conversion Price, together with the Original Conversion Price, the "Conversion Price"). Nothing in this Section 4(b) shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 8 hereof and the Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

c) Mechanics of Conversion.

i. Conversion Shares Issuable Upon Conversion of Principal Amount. The number of Conversion Shares issuable upon a conversion hereunder shall be determined by the quotient obtained by dividing (x) the outstanding principal amount of this Debenture to be converted by (y) the Conversion Price.

ii. Delivery of Conversion Shares Upon Conversion. Not later than the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined below) after each Conversion Date (the "Share Delivery Date"), the Company shall deliver, or cause to be delivered, to the Holder (A) the Conversion Shares representing the number of Conversion Shares being acquired upon the conversion of this Debenture and (B) a bank check in the amount of accrued and unpaid interest or it may deliver such sum by wire transfer. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the Common Stock as in effect on the date of delivery of the Notice of Conversion.

iii. Failure to Deliver Conversion Shares. If, in the case of any Notice of Conversion, such Conversion Shares are not delivered to or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to the Company at any time on or before its receipt of such Conversion Shares, to rescind such Conversion, in which event the Company shall promptly return to the Holder any original Debenture delivered to the Company and the Holder shall promptly return to the Company the Conversion Shares issued to such Holder pursuant to the rescinded Conversion Notice.



iv. Obligation Absolute; Partial Liquidated Damages. The Company's obligations to issue and deliver the Conversion Shares upon conversion of this Debenture in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of such Conversion Shares; provided, however, that such delivery shall not operate as a waiver by the Company of any such action the Company may have against the Holder. In the event the Holder of this Debenture shall elect to convert any or all of the outstanding principal amount hereof, the Company may not refuse conversion based on any claim that the Holder or anyone associated or affiliated with the Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and or enjoining conversion of all or part of this Debenture shall have been sought and obtained, and the Company posts a surety bond for the benefit of the Holder in the amount of 150% of the outstanding principal amount of this Debenture, which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to the Holder to the extent it obtains judgment. In the absence of such injunction, the Company shall issue Conversion Shares or, if applicable, cash, upon a properly noticed conversion. If the Company fails for any reason to deliver to the Holder such Conversion Shares pursuant to Section 4(c)(ii) by the Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each \$1,000 of principal amount being converted, \$10 per Trading Day (increasing to \$20 per Trading Day on the fifth (5th) Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Share Delivery Date until such Conversion Shares are delivered or Holder rescinds such conversion. Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 8 hereof for the Company's failure to deliver Conversion Shares within the period specified herein and the Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

v. Compensation for Buy-In on Failure to Timely Deliver Conversion Shares Upon Conversion. In addition to any other rights available to the Holder, if the Company fails for any reason to deliver to the Holder such Conversion Shares by the Share Delivery Date pursuant to Section 4(c)(ii), and if after such Share Delivery Date the Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Conversion Shares which the Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "Buy-In"), then the Company shall (A) pay in cash to the Holder (in addition to any other remedies available to or elected by the Holder) the amount, if any, by which (x) the Holder's total purchase price (including any brokerage commissions) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that the Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of the Holder, either reissue (if surrendered) this Debenture in a principal amount equal to the principal amount of the attempted conversion (in which case such conversion shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued if the Company had timely complied with its delivery requirements under Section 4(c)(ii). For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted conversion of this Debenture with respect to which the actual sale price of the Conversion Shares (including any brokerage commissions) giving rise to such purchase obligation was a total of \$10,000 under clause (A) of the immediately preceding sentence, the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver Conversion Shares upon conversion of this Debenture as required pursuant to the terms hereof.

vi. Reservation of Shares Issuable Upon Conversion. On or before 90 days from the date of the Purchase Agreement, the Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of this Debenture and payment of interest on this Debenture, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Debentures), not less than 400% of such aggregate number of shares of the Common Stock as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 5) upon the conversion of the then outstanding principal amount of this Debenture and payment of interest hereunder. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable and, if a registration statement covering the resale of the Conversion Shares is then effective under the Securities Act, shall be registered for public resale in accordance with such registration statement.

vii. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of this Debenture. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

viii. Transfer Taxes and Expenses. The issuance of Conversion Shares on conversion of this Debenture shall be made without charge to the Holder hereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such Conversion Shares, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such Conversion Shares upon conversion in a name other than that of the Holder of this Debenture so converted and the Company shall not be required to issue or deliver such Conversion Shares unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Conversion and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Conversion Shares. For the avoidance of doubt, if the Holder is required to pay any Transfer Agent fees in connection with the processing of any Notice of Conversion or Notice of Exercise of the Warrants, the amount of such fees not to exceed \$250 per notice, due to the Company being in arrears of its fees and other monies owed to the Transfer Agent, the then outstanding principal amount of this Debenture shall be increased by the amount of such fees properly documented fees paid by the Holder.

d) Holder's Conversion Limitations. The Company shall not effect any conversion of this Debenture, and a Holder shall not have the right to convert any portion of this Debenture, to the extent that after giving effect to the conversion set forth on the applicable Notice of Conversion, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "Attribution Parties")) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of shares of Common Stock issuable upon conversion of this Debenture with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining, unconverted principal amount of this Debenture beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, any other Debentures or the Warrants) beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 4(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 4(d) applies, the determination of whether this Debenture is convertible (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which principal amount of this Debenture is convertible shall be in the sole discretion of the Holder, and the submission of a Notice of Conversion shall be deemed to be the Holder's determination of whether this Debenture may be converted (in relation to other securities owned by the Holder together with any Affiliates or Attribution Parties) and which principal amount of this Debenture is convertible, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, the Holder will be deemed to represent to the Company each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this paragraph and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 4(d), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (ii) a more recent public announcement by the Company, or (iii) a more recent written notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within one Trading Day confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Debenture, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of this Debenture held by the Holder. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 4(d), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of this Debenture held by the Holder and the Beneficial Ownership Limitation provisions of this Section 4(d) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company. The Beneficial Ownership Limitation provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 4(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Debenture.

e) Mandatory Conversion. If the Company consummates a Qualified Offering on or before the date of the repayment in full of this Debenture, then the outstanding principal balance of this Debenture, along with any unpaid accrued interest and all other amounts, costs, expenses and liquidated damages due in respect of this Debenture will automatically be converted, with no further action of the Holder, on the closing date of such Qualified Offering, into shares of Common Stock (or units of Common Stock and warrants to purchase Common Stock, if units are offered to the public in the Qualified Offering) at the Qualified Offering Conversion Price.

## Section 5. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Company, at any time while this Debenture is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon conversion of, or payment of interest on, the Debentures), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Company) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Sales. If, at any time while this Debenture is outstanding, the Company or any Subsidiary, as applicable, sells or grants any option to purchase or sells or grants any right to reprice, or otherwise disposes of or issues (or announces any sale, grant or any option to purchase or other disposition), any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock at an effective price per share that is lower than the then Conversion Price (such lower price, the “Base Conversion Price” and such issuances, collectively, a “Dilutive Issuance”) (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price on such date of the Dilutive Issuance), then simultaneously with the consummation (or, if earlier, the announcement) of each Dilutive Issuance the Conversion Price shall be reduced to equal the Base Conversion Price (subject to adjustment for reverse and forward stock splits, recapitalizations and similar transactions following the date of the Purchase Agreement). Notwithstanding the foregoing, no adjustment will be made under this Section 5(b) in respect of an Exempt Issuance. If the Company enters into a Variable Rate Transaction, despite the prohibition set forth in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion price at which such securities may be converted or exercised. The Company shall notify the Holder in writing, no later than the Trading Day following the issuance of any Common Stock or Common Stock Equivalents subject to this Section 5(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the “Dilutive Issuance Notice”). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 5(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Conversion Shares based upon the Base Conversion Price on or after the date of such Dilutive Issuance, regardless of whether the Holder accurately refers to the Base Conversion Price in the Notice of Conversion.

c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 5(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Debenture (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, that, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Pro Rata Distributions. During such time as this Debenture is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Debenture, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Debenture (without regard to any limitations on conversion hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, that, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

e) Fundamental Transaction. If, at any time while this Debenture is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company (and all of its Subsidiaries, taken as a whole), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent conversion of this Debenture, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in Section 4(d) on the conversion of this Debenture), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Debenture is convertible immediately prior to such Fundamental Transaction (without regard to any limitation in Section 4(d) on the conversion of this Debenture). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one (1) share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Debenture following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Debenture and the other Transaction Documents (as defined in the Purchase Agreement) in accordance with the provisions of this Section 5(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the holder of this Debenture, deliver to the Holder in exchange for this Debenture a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Debenture which is convertible for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon conversion of this Debenture (without regard to any limitations on the conversion of this Debenture) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of this Debenture immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Debenture and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Debenture and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.



f) Calculations. All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 5, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Company) issued and outstanding.

g) Notice to the Holder.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 5, the Company shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company (and all of its Subsidiaries, taken as a whole) is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Debenture, and shall cause to be delivered to the Holder at its last address as it shall appear upon the Debenture Register, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to convert this Debenture during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 6. Ranking. The indebtedness evidenced by this Debenture and the payment of the principal amount and interest shall be Senior (as hereinafter defined) to, and have priority in right of payment over, all indebtedness of Company, now outstanding or hereinafter incurred, except for Senior Indebtedness (as hereinafter defined). “Senior,” as used herein, shall be deemed to mean that, in the event of any default in the payment of the obligations represented by this Debenture (after giving effect to “cure” provisions, if any) or of any liquidation, insolvency, bankruptcy, reorganization or similar proceedings relating to Company, all sums payable on this Debenture shall first be paid in full, with interest, if any, before any payment is made upon any other indebtedness, now outstanding or hereinafter incurred, except for the Senior Indebtedness, and, in any such event, any payment or distribution of any character which shall be made in respect of any other indebtedness of Company, other than the Senior Indebtedness, shall be paid over to Holders of the Debentures for application to the payment hereof and thereof, unless and until the obligations under this Debenture (which shall mean the principal amount, interest and any costs and expenses payable under this Debenture) shall have been paid and satisfied in full. “Senior Indebtedness” shall mean the following Permitted Indebtedness outstanding as of May 28, 2020: (i) the Company’s obligations to Change Capital Holdings I LLC pursuant to those certain Merchant Receivables Purchase & Security Agreements, effective December 6, 2019 and December 12, 2019, as amended May 18, 2020; (ii) the obligations of Recruiter.com, Inc., a wholly-owned subsidiary of the Company, under the Loan Agreement with Celtic Bank Corporation; and (iii) the obligations of Recruiter.com, Inc., a wholly-owned subsidiary of the Company, under the Line of Credit Agreement with Bank of America, N.A.



Section 7. Negative Covenants. As long as any portion of this Debenture remains outstanding, unless the holders of at least 67% in principal amount of the then outstanding Debentures shall have otherwise given prior written consent, the Company shall not, and shall not permit any of the Subsidiaries to, directly or indirectly:

a) other than Permitted Indebtedness, except with the prior written consent of the Agent (as defined in the Security Agreement), enter into, create, incur, assume, guarantee or suffer to exist any indebtedness for borrowed money of any kind, including, but not limited to, a guarantee, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom (for the avoidance of doubt, this shall include that the Company shall not enter into any factoring agreement, merchant cash advance agreement or similar arrangement without prior written consent of the Agent, provided however that the Holder shall negotiate with the Company in good faith in the event such an arrangement is required for the Company to continue operations);

b) other than Permitted Liens, enter into, create, incur, assume or suffer to exist any Liens of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

c) amend its charter documents, including, without limitation, its certificate of incorporation and bylaws, in any manner that materially and adversely affects any rights of the Holder;

d) repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its Common Stock or Common Stock Equivalents other than as to (i) the Conversion Shares or Warrant Shares as permitted or required under the Transaction Documents, (ii) repurchases of Common Stock or Common Stock Equivalents of departing officers and directors of the Company, provided that such repurchases shall not exceed an aggregate of \$25,000 for all officers and directors during the term of this Debenture, or (iii) shares of Common Stock and Common Stock Equivalents which do not vest or are otherwise forfeited, provided (in case of forfeiture) that such Common Stock and Common Stock Equivalents are not acquired for cash;

e) repay, repurchase or offer to repay, repurchase or otherwise acquire any Indebtedness, other than the Debentures if on a pro-rata basis, other than regularly scheduled principal and interest payments as such terms are in effect as of the Original Issue Date, provided that such payments shall not be permitted if, at such time, or after giving effect to such payment, any Event of Default exist or occur;

f) pay cash dividends or distributions on any equity securities of the Company;

g) enter into any transaction with any Affiliate of the Company which would be required to be disclosed in any public filing with the Commission, unless such transaction is made on an arm's-length basis and expressly approved by a majority of the disinterested directors of the Company (even if less than a quorum otherwise required for board approval); or

h) enter into any agreement with respect to any of the foregoing.

#### Section 8. Events of Default.

a) "Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of (A) the principal amount of any Debenture or (B) interest, liquidated damages and other amounts owing to a Holder on any Debenture, as and when the same shall become due and payable (whether on a Conversion Date or the Maturity Date or by acceleration or otherwise) which default, solely in the case of an interest payment or other default under clause (B) above, is not cured within 3 Trading Days;

ii. the Company shall fail to observe or perform any other covenant or agreement contained in the Debentures (other than a breach by the Company of its obligations to deliver shares of Common Stock to the Holder upon conversion, which breach is addressed in clause (x) below) or in any Transaction Document, which failure is not cured, if possible to cure, within the earlier to occur of (A) 3 Trading Days after notice of such failure sent by the Holder or by any other Holder to the Company and (B) 5 Trading Days after the Company has become or should have become aware of such failure;

iii. a default or event of default (subject to any grace or cure period provided in the applicable agreement, document or instrument) shall occur under

(A) any of the Transaction Documents or (B) any other material agreement, lease, document or instrument to which the Company or any Subsidiary is obligated (and not covered by clause (vi) below);

iv. any material representation or warranty made in this Debenture, any other Transaction Documents, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to the Holder or any other Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;

v. the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) shall be subject to a Bankruptcy Event;

vi. the Company or any Subsidiary shall default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than \$25,000, whether such indebtedness now exists or shall hereafter be created, and (b) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

vii. the Common Stock shall not be eligible for listing or quotation for trading on a Trading Market and shall not be eligible to resume listing or quotation for trading thereon within five Trading Days;

viii. the Company (and all of its Subsidiaries, taken as a whole) shall be a party to any Change of Control Transaction or Fundamental Transaction or shall agree to sell or dispose of all or in excess of 33% of its assets in one transaction or a series of related transactions (whether or not such sale would constitute a Change of Control Transaction);

ix. the Company does not meet the current public information requirements under Rule 144 in respect to the Conversion Shares based upon the deadline for filing SEC Reports pursuant to the Rules or other authority of the SEC;

x. the Company shall fail for any reason to deliver Conversion Shares to a Holder prior to the fifth Trading Day after a Conversion Date pursuant to Section 4(c) or the Company shall provide at any time notice to the Holder, including by way of public announcement, of the Company's intention to not honor requests for conversions of any Debentures in accordance with the terms hereof;

xi. any Person shall breach any agreement delivered to the initial Holders pursuant to Section 2.2 of the Purchase Agreement;

xii. the electronic transfer by the Company of shares of Common Stock through the Depository Trust Company or another established clearing corporation is no longer available or is subject to a "chill"; or

xiii. any monetary judgment, writ or similar final process shall be entered or filed against the Company, any subsidiary or any of their respective property or other assets for more than \$50,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of 45 calendar days.

b) Remedies Upon Event of Default. If any Event of Default occurs, the outstanding principal amount of this Debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder's election, immediately due and payable in cash at the Mandatory Default Amount. Commencing 5 days after the occurrence of any Event of Default that results in the eventual acceleration of this Debenture, the interest rate on this Debenture shall accrue at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted under applicable law. Upon the payment in full of the Mandatory Default Amount, the Holder shall promptly surrender this Debenture to or as directed by the Company. In connection with such acceleration described herein, the Holder need not provide, and the Company hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by Holder at any time prior to payment hereunder and the Holder shall have all rights as a holder of the Debenture until such time, if any, as the Holder receives full payment pursuant to this Section 8(b). No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

#### Section 9. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, by email attachment, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above, or such other facsimile number, email address, or address as the Company may specify for such purposes by notice to the Holder delivered in accordance with this Section 9(a). Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, by email attachment, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number, email address or address of the Holder appearing on the books of the Company, or if no such facsimile number or email attachment or address appears on the books of the Company, at the principal place of business of such Holder, as set forth in the Purchase Agreement. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment to the email address set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment to the email address set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, liquidated damages and accrued interest, as applicable, on this Debenture at the time, place, and rate, and in the coin or currency, herein prescribed. This Debenture is a direct debt obligation of the Company. This Debenture ranks pari passu with all other Debentures now or hereafter issued under the terms set forth herein.

c) Lost or Mutilated Debenture. If this Debenture shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Debenture, or in lieu of or in substitution for a lost, stolen or destroyed Debenture, a new Debenture for the principal amount of this Debenture so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Debenture, and of the ownership hereof, reasonably satisfactory to the Company.

d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Debenture shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Debenture and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Debenture or the transactions contemplated hereby. If any party shall commence an action or proceeding to enforce any provisions of this Debenture, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

e) Waiver. Any waiver by the Company or the Holder of a breach of any provision of this Debenture shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Debenture. The failure of the Company or the Holder to insist upon strict adherence to any term of this Debenture on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Debenture on any other occasion. Any waiver by the Company or the Holder must be in writing.

f) Severability. If any provision of this Debenture is invalid, illegal or unenforceable, the balance of this Debenture shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Debenture as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Debenture, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

g) Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Debenture shall be cumulative and in addition to all other remedies available under this Debenture and any of the other Transaction Documents at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Debenture. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any such breach or any such threatened breach, without the necessity of showing economic loss and without any bond or other security being required. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Debenture.

h) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

i) Headings. The headings contained herein are for convenience only, do not constitute a part of this Debenture and shall not be deemed to limit or affect any of the provisions hereof.

j) Secured Obligation. The obligations of the Company under this Debenture are secured by all assets of the Company and each Subsidiary pursuant to the Security Agreement, dated as of May 28, 2020 by and among the Company, the Subsidiaries of the Company and the Secured Parties (as defined therein).

Section 10. Disclosure. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Debenture, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries, the Company shall within two (2) Business Days after such receipt or delivery publicly disclose such material, nonpublic information on a Current Report on Form 8-K or otherwise. In the event that the Company believes that a notice contains material, non-public information relating to the Company or its Subsidiaries, the Company so shall indicate to the Holder contemporaneously with delivery of such notice, and in the absence of any such indication, the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries.

Section 11. Amendments; Waivers. Any modifications, amendments or waivers of the provisions hereof shall be subject to Section 5.5 of the Purchase Agreement.

Section 12. Equal Treatment of Purchasers. No consideration (including any modification of this Debenture) shall be offered or paid to any Person (as such term is defined in the Purchase Agreement) to amend or consent to a waiver or modification of any provision hereof unless the same consideration is also offered to all of the parties to the Purchase Agreement. Further, the Company shall not make any payment of principal or interest on the Debentures in amounts which are disproportionate to the respective principal amounts outstanding on the Debentures at any applicable time. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase or disposition of the Debentures or otherwise.

\*\*\*\*\*

*(Signature Page Follows)*

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed by a duly authorized officer as of the date first above indicated.

**RECRUITER.COM GROUP, INC.**

By: \_\_\_\_\_

Name: Evan Sohn

Title: Chief Executive Officer

Facsimile No. for delivery of Notices:

\_\_\_\_\_



ANNEX A

NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the 12.5% Original Issue Discount Subordinated Secured Convertible Debenture due May 28, 2021 of Recruiter.com Group, Inc., a Nevada corporation (the "Company"), into shares of common stock (the "Common Stock"), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to the Company that its ownership of the Common Stock does not exceed the amounts specified under Section 4 of this Debenture, as determined in accordance with Section 13(d) of the Exchange Act.

The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock.

Conversion calculations:

Date to Effect Conversion:

Principal Amount of Debenture to be Converted:

Payment of Interest in Common Stock yes no  
If yes, \$     of Interest Accrued on Account of  
Conversion at Issue.

Number of shares of Common Stock to be issued:

Signature:

Name:

Address for Delivery of Common Stock Certificates:

Or

DWAC Instructions:

Broker No: \_\_\_\_\_

Account No: \_\_\_\_\_

**Schedule 1**

**CONVERSION SCHEDULE**

The 12.5% Original Issue Discount Subordinated Secured Convertible Debentures due on May 28, 2021 in the aggregate principal amount of \$225,000 are issued by Recruiter.com Group, Inc., a Nevada corporation. This Conversion Schedule reflects conversions made under Section 4 of the above referenced Debenture.

Dated:

Date of Conversion (or for first entry, Original Issue Date)	Amount of Conversion	Aggregate Principal Amount Remaining Subsequent to Conversion (or original Principal Amount)	Company Attest

## Execution Version

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

## COMMON STOCK PURCHASE WARRANT

## RECRUITER.COM GROUP, INC.

Warrant Shares: \_\_\_\_\_

Initial Exercise Date: May 28, 2020

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, \_\_\_\_\_ or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to 5:00 p.m. (New York City time) on May 28, 2023 (the "Termination Date") but not thereafter, to subscribe for and purchase from Recruiter.com Group, Inc., a Nevada corporation (the "Company"), up to \_\_\_\_\_ shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated as of May 28, 2020, by and among the Company and the purchasers signatory thereto.

## Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company of a duly executed facsimile copy or PDF copy submitted by e-mail (or e-mail attachment) of the Notice of Exercise in the form annexed hereto (the “Notice of Exercise”). Within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined in Section 2(d)(i)) following the date of exercise as aforesaid, the Holder shall deliver to the Company the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier’s check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) is specified in the applicable Notice of Exercise. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date on which the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price. The exercise price per share of Common Stock under this Warrant shall be **\$2.00**, subject to adjustment hereunder (the “Exercise Price”).

c) Cashless Exercise. If at any time after the twelve-month anniversary of the Closing Date, there is no effective registration statement registering, or no current prospectus available for, the resale of the Warrant Shares by the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a “cashless exercise” in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) on a Trading Day prior to the opening of “regular trading hours” (as defined in Rule 600(b)(64) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) at the option of the Holder, either (y) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise or (z) the Bid Price of the Common Stock on the principal Trading Market as reported by Bloomberg L.P. as of the time of the Holder’s execution of the applicable Notice of Exercise if such Notice of Exercise is executed during “regular trading hours” on a Trading Day and is delivered within two (2) hours thereafter (including until two (2) hours after the close of “regular trading hours” on a Trading Day) pursuant to Section 2(a) or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 2(a) after the close of “regular trading hours” on such Trading Day;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the characteristics of the Warrants being exercised, and the holding period of the Warrant Shares being issued may be tacked on to the holding period of this Warrant. The Company agrees not to take any position contrary to this Section 2(c).

“Bid Price” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the bid price of the Common Stock for the time in question (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the “Pink Sheets” published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the “Pink Sheets” published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

Notwithstanding anything herein to the contrary, on the Termination Date, this Warrant shall be automatically exercised via cashless exercise pursuant to this Section 2(c).

d) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. The Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the Warrant Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144 (assuming cashless exercise of the Warrants), and otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is the earliest of (i) two (2) Trading Days after the delivery to the Company of the Notice of Exercise, (ii) one (1) Trading Day after delivery of the aggregate Exercise Price to the Company and (iii) the number of Trading Days comprising the Standard Settlement Period after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date"). Upon delivery of the Notice of Exercise, the Holder shall be deemed for all corporate (but not Rule 144) purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the Warrant Shares, provided that payment of the aggregate Exercise Price (other than in the case of a cashless exercise) is received within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period following delivery of the Notice of Exercise. If the Company fails for any reason to deliver to the Holder the Warrant Shares subject to a Notice of Exercise by the Warrant Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each \$1,000 of Warrant Shares subject to such exercise (based on the VWAP of the Common Stock on the date of the applicable Notice of Exercise), \$10 per Trading Day (increasing to \$20 per Trading Day on the fifth (5th) Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Warrant Share Delivery Date until such Warrant Shares are delivered or Holder rescinds such exercise. The Company agrees to maintain a transfer agent that is a participant in the FAST program so long as this Warrant remains outstanding and exercisable. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the Common Stock as in effect on the date of delivery of the Notice of Exercise.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares in accordance with the provisions of Section 2(d)(i) above pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the product of (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.



e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "Attribution Parties")), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within one Trading Day confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates or Attribution Parties since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

### Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Sales. If and whenever, at any time while this Warrant is outstanding, the Company issues or sells, announces any offer, sale, or other disposition of, or in accordance with this Section 3 is deemed to have issued, sold or granted (or makes an announcement regarding the same), any shares of Common Stock and/or Common Stock Equivalents (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company, but excluding any securities issued or sold or deemed to have been issued or sold solely in connection with an Exempt Issuance) for a consideration per share (the “New Issuance Price”) less than a price equal to the Exercise Price in effect immediately prior to such issuance or sale or deemed issuance or sale (such Exercise Price then in effect is referred to herein as the “Applicable Price”) (the foregoing a “Dilutive Issuance”), then immediately after such Dilutive Issuance, (1) the Exercise Price then in effect shall be reduced to an amount equal to the New Issuance Price and (2) the number of Warrant Shares issuable hereunder shall be increased such that the aggregate Exercise Price payable hereunder, after taking into account the decrease in the Exercise Price, shall be equal to the aggregate Exercise Price prior to such adjustment up to a maximum of 625,000 Warrant Shares (subject to adjustment as provided herein). For all purposes of the foregoing (including, without limitation, determining the adjusted Exercise Price and the New Issuance Price under this Section 3(b)), the following shall be applicable:

i. Issuance of Options. If the Company in any manner grants, issues or sells (or enters into any agreement to grant, issue or sell) any Options (as defined below) and the lowest price per share for which one Common Stock is at any time issuable upon the exercise of any such Option (as defined below) or upon conversion, exercise or exchange of any Common Stock Equivalents issuable upon exercise of any such Option (as defined below) or otherwise pursuant to the terms thereof is less than the Applicable Price, then such Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting or sale of such Option (as defined below) for such price per share. For purposes of this Section 3(b)(i), the “lowest price per share for which one Common Stock is at any time issuable upon the exercise of any such Options (as defined below) or upon conversion, exercise or exchange of any Common Stock Equivalents issuable upon exercise of any such Option (as defined below) or otherwise pursuant to the terms thereof” shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one share of Common Stock upon the granting, issuance or sale of such Option (as defined below), upon exercise of such Option (as defined below) and upon conversion, exercise or exchange of any Common Stock Equivalents issuable upon exercise of such Option (as defined below) or otherwise pursuant to the terms thereof and (y) the lowest exercise price set forth in such Option (as defined below) for which one Common Stock is issuable (or may become issuable assuming all possible market conditions) upon the exercise of any such Options (as defined below) or upon conversion, exercise or exchange of any Common Stock Equivalents issuable upon exercise of any such Option (as defined below) or otherwise pursuant to the terms thereof minus (2) the sum of all amounts paid or payable to the holder of such Option (or any other Person) upon the granting, issuance or sale of such Option (as defined below), upon exercise of such Option (as defined below) and upon conversion, exercise or exchange of any Common Stock Equivalents issuable upon exercise of such Option (as defined below) or otherwise pursuant to the terms thereof plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Option (as defined below) (or any other Person). Except as contemplated below, no further adjustment of the Exercise Price shall be made upon the actual issuance of such shares of Common Stock or of such Common Stock Equivalents upon the exercise of such Options (as defined below) or otherwise pursuant to the terms of or upon the actual issuance of such shares of Common Stock upon conversion, exercise or exchange of such Common Stock Equivalents. “Option” means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities. “Convertible Securities” means any shares or other security (other than Options) that is at any time and under any circumstances, directly or indirectly, convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any shares of Common Stock.

ii. Issuance of Convertible Securities. If the Company in any manner issues or sells (or enters into any agreement to issue or sell) any Common Stock Equivalents and the lowest price per share for which one share of Common Stock is at any time issuable upon the conversion, exercise or exchange thereof or otherwise pursuant to the terms thereof is less than the Applicable Price, then such shares of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Common Stock Equivalents for such price per share. For the purposes of this Section 3(b)(ii), the “lowest price per share for which one Common Stock is at any time issuable upon the conversion, exercise or exchange thereof or otherwise pursuant to the terms thereof” shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to one Common Stock upon the issuance or sale of the Common Stock Equivalents and upon conversion, exercise or exchange of such Common Stock Equivalents or otherwise pursuant to the terms thereof and (y) the lowest conversion price set forth in such Common Stock Equivalents for which one share of Common Stock is issuable (or may become issuable assuming all possible market conditions) upon conversion, exercise or exchange thereof or otherwise pursuant to the terms thereof minus (2) the sum of all amounts paid or payable to the holder of such Common Stock Equivalents (or any other Person) upon the issuance or sale of such Common Stock Equivalents plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Common Stock Equivalents (or any other Person). Except as contemplated below, no further adjustment of the Exercise Price shall be made upon the actual issuance of such shares of Common Stock upon conversion, exercise or exchange of such Common Stock Equivalents or otherwise pursuant to the terms thereof, and if any such issuance or sale of such Common Stock Equivalents is made upon exercise of any Options for which adjustment of this Warrant has been or is to be made pursuant to other provisions of this Section 3(b), except as contemplated below, no further adjustment of the Exercise Price shall be made by reason of such issuance or sale.

iii. Change in Option Price or Rate of Conversion. If the purchase or exercise price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion, exercise or exchange of any Common Stock Equivalents, or the rate at which any Common Stock Equivalents are convertible into or exercisable or exchangeable for shares of Common Stock increases or decreases at any time (other than proportional changes in conversion or exercise prices, as applicable, in connection with an event referred to in Section 3(a)), the Exercise Price in effect at the time of such increase or decrease shall be adjusted to the Exercise Price which would have been in effect at such time had such Options or Common Stock Equivalents provided for such increased or decreased purchase price, additional consideration or increased or decreased conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of this Section 3(b)(iii), if the terms of any Option or Common Stock Equivalents that was outstanding as of the date this Warrant was issued are increased or decreased in the manner described in the immediately preceding sentence, then such Option or Common Stock Equivalents and the shares of Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such increase or decrease. No adjustment pursuant to this Section 3(b) shall be made if such adjustment would result in an increase of the Exercise Price then in effect.

iv. Change in Option Price or Rate of Conversion. If any Option and/or Common Stock Equivalents and/or Adjustment Right (as defined below) is issued in connection with the issuance or sale or deemed issuance or sale of any other securities of the Company (as determined by the Holder, the “Primary Security”, and such Option and/or Common Stock Equivalents and/or Adjustment Right (as defined below), the “Secondary Securities”), together comprising one integrated transaction, (or one or more transactions if such issuances or sales or deemed issuances or sales of securities of the Company either (A) have at least one investor or purchaser in common, (B) are consummated in reasonable proximity to each other and/or (C) are consummated under the same plan of financing) the aggregate consideration per share of Common Stock with respect to such Primary Security shall be deemed to be equal to the difference of (x) the lowest price per share for which one Common Stock was issued (or was deemed to be issued pursuant to Section 3(b)(i) or 3(b)(ii) above, as applicable) in such integrated transaction solely with respect to such Primary Security, minus (y) with respect to such Secondary Securities, the sum of (I) the Black Scholes Consideration Value (as defined below) of each such Option, if any, (II) the fair market value (as determined by the Holder in good faith) or the Black Scholes Consideration Value (as defined below), as applicable, of such Adjustment Right (as defined below), if any, and (III) the fair market value (as determined by the Holder) of such Common Stock Equivalents, if any, in each case, as determined on a per share basis in accordance with this Section 3(b)(iv). If any shares of Common Stock, Options or Common Stock Equivalents are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor (for the purpose of determining the consideration paid for such Common Stock, Option or Common Stock Equivalents, but not for the purpose of the calculation of the Black Scholes Consideration Value (as defined below)) will be deemed to be the net amount of consideration received by the Company therefor. If any shares of Common Stock, Options or Common Stock Equivalents are issued or sold for a consideration other than cash, the amount of such consideration received by the Company (for the purpose of determining the consideration paid for such Common Stock, Option or Common Stock Equivalents, but not for the purpose of the calculation of the Black Scholes Consideration Value (as defined below)) will be the fair value of such consideration, except where such consideration consists of publicly traded securities, in which case the amount of consideration received by the Company for such securities will be the arithmetic average of the VWAPs of such security for each of the five (5) Trading Days immediately preceding the date of receipt. If any shares of Common Stock, Options or Common Stock Equivalents are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefor (for the purpose of determining the consideration paid for such shares of Common Stock, Option or Common Stock Equivalents, but not for the purpose of the calculation of the Black Scholes Consideration Value (as defined below)) will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such shares of Common Stock, Options or Common Stock Equivalents (as the case may be). The fair value of any consideration other than cash or publicly traded securities will be determined jointly by the Company and the Holder. If such parties are unable to reach agreement within ten (10) days after the occurrence of an event requiring valuation (the “Valuation Event”), the fair value of such consideration will be determined within five (5) Trading Days after the tenth (10th) day following such Valuation Event by an independent, reputable appraiser jointly selected by the Company and the Holder. The determination of such appraiser shall be final and binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne by the Company). “Adjustment Right” means any right granted with respect to any securities issued in connection with, or with respect to, any issuance or sale (or deemed issuance or sale hereunder) of Common Stock (other than rights of the type described in Sections 3(c) and 3(d) hereof) that could result in a decrease in the net consideration received by the Company in connection with, or with respect to, such securities (including, without limitation, any cash settlement rights, cash adjustment or other similar rights).

v. Change in Option Price or Rate of Conversion. If the Company takes a record of the holders of shares of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in shares of Common Stock, Options or in Common Stock Equivalents or (B) to subscribe for or purchase shares of Common Stock, Options or Common Stock Equivalents, then such record date will be deemed to be the date of the issuance or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase (as the case may be).

c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the “Purchase Rights”), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, that, to the extent that the Holder’s right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a “Distribution”), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, that, to the extent that the Holder’s right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).



e) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off, merger or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a “Fundamental Transaction”), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the “Alternate Consideration”) receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction, the Company or any Successor Entity (as defined below) shall, at the Holder’s option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction (or, if later, the date of the public announcement of the applicable Fundamental Transaction), purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value (as defined below) of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction. “Black Scholes Value” means the value of this Warrant based on the Black-Scholes Option Pricing Model obtained from the “OV” function on Bloomberg, L.P. (“Bloomberg”) determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date, (B) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the greater of (i) the sum of the price per share being offered in cash, if any, plus the value of any non- cash consideration, if any, being offered in such Fundamental Transaction and (ii) the greater of (x) the last VWAP immediately prior to the public announcement of such Fundamental Transaction and (y) the last VWAP immediately prior to the consummation of such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date. The payment of the Black Scholes Value will be made by wire transfer of immediately available funds within five Business Days of the Holder’s election (or, if later, on the effective date of the Fundamental Transaction). The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the “Successor Entity”) to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the

Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the “Company” shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.



f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly deliver to the Holder by facsimile or email a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by facsimile or email to the Holder at its last facsimile number or email address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

#### Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof and to the provisions of Section 4.1 of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date on which the Holder delivers an assignment form to the Company assigning this Warrant in full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Initial Exercise Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, comply with the provisions of Section 5.7 of the Purchase Agreement.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

#### Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

#### d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant or the Purchase Agreement, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment; Waivers. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder. Further, any modifications, amendments or waivers of the provisions hereof shall be subject to Section 5.5 of the Purchase Agreement.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

o) Equal Treatment of Holders. No consideration (including any modification of this Warrant) shall be offered or paid to any Person (as such term is defined in the Purchase Agreement) to amend or consent to a waiver or modification of any provision hereof unless the same consideration is also offered to all of the Holders. For clarification purposes, this provision constitutes a separate right granted to each Holder by the Company and negotiated separately by each Holder, and is intended for the Company to treat the Holders as a class and shall not in any way be construed as the Holders acting in concert or as a group with respect to the Warrants or the shares of Common Stock issuable upon exercise of the Warrants.

\*\*\*\*\*

*(Signature Page Follows)*

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

**RECRUITER.COM GROUP, INC.**

By: \_\_\_\_\_  
Name: Evan Sohn  
Title: Chief Executive Officer

**NOTICE OF EXERCISE**

TO: [\_\_\_\_\_]

(1) The undersigned hereby elects to purchase \_\_\_\_\_ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

in lawful money of the United States; or

[if permitted the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_

The Warrant Shares shall be delivered to the following DWAC Account Number:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(4) Accredited Investor. The undersigned is an “accredited investor” as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[SIGNATURE OF HOLDER]

Name of Investing Entity: \_\_\_\_\_

*Signature of Authorized Signatory of Investing Entity:* \_\_\_\_\_

Name of Authorized Signatory: \_\_\_\_\_

Title of Authorized Signatory: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

**ASSIGNMENT FORM**

*(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)*

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name:

\_\_\_\_\_  
(Please Print)

Address:

\_\_\_\_\_  
(Please Print)

Phone Number:

\_\_\_\_\_

Email Address:

\_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_\_

Holder's Signature: \_\_\_\_\_

Holder's Address: \_\_\_\_\_



**SECURITIES PURCHASE AGREEMENT**

This Securities Purchase Agreement (this “Agreement”) is dated as of May 28, 2020, between Recruiter.com Group, Inc., a Nevada corporation (the “Company”), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a “Purchaser” and collectively, the “Purchasers”).

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Rule 506 promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

**ARTICLE I.  
DEFINITIONS**

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement: (a) capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Debentures (as defined herein), and (b) the following terms have the meanings set forth in this Section 1.1:

“Acquiring Person” shall have the meaning ascribed to such term in Section 4.7.

“Action” shall have the meaning ascribed to such term in Section 3.1(j).

“Affiliate” means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

“Board of Directors” means the board of directors of the Company.

“Business Day” means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to “stay at home”, “shelter-in-place”, “non-essential employee” or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in The City of New York are generally open for use by customers on such day.

“Closing” means any closing of the purchase and sale of the Securities pursuant to Section 2.1.

---

“Closing Date” means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers’ obligations to pay the Subscription Amount and (ii) the Company’s obligations to deliver the Securities, in each case, have been satisfied or waived. Pursuant to the terms of this Agreement, there may be one or more Closing Dates hereunder.

“Commission” means the United States Securities and Exchange Commission.

“Common Stock” means the common stock of the Company, par value \$0.0001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

“Common Stock Equivalents” means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Company Counsel” means Nason, Yeager, Gerson, Harris & Fumero, P.A., with offices located at 3001 PGA Boulevard, Suite 305, Palm Beach Gardens, Florida, 33410.

“Conversion Price” shall have the meaning ascribed to such term in the Debentures.

“Debentures” means the 12.5% Original Issue Discount Senior Subordinated Secured Convertible Debentures due, subject to the terms therein, 12 months from their date of issuance unless extended pursuant to the terms thereunder, issued by the Company to the Purchasers hereunder, in the form of Exhibit A attached hereto.

“Disclosure Time” means, (i) if this Agreement is signed on a day that is not a Trading Day or after 9:00 a.m. (New York City time) and before midnight (New York City time) on any Trading Day, 9:01 a.m. (New York City time) on the Trading Day immediately following the date hereof, and (ii) if this Agreement is signed between midnight (New York City time) and 9:00 a.m. (New York City time) on any Trading Day, no later than 9:01 a.m. (New York City time) on the date hereof.

“EGS” means Ellenoff Grossman & Schole LLP, with offices located at 1345 Avenue of the Americas, New York, New York 10105-0302.

“Escrow Agent” means Signature Bank, with offices located at 565 Fifth Avenue, New York, NY 10017.

“Evaluation Date” shall have the meaning ascribed to such term in Section 3.1(s). “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Exempt Issuance” means the issuance of (a) shares of Common Stock, restricted stock units or options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Company, (b) securities upon the exercise, exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with stock splits or combinations) or to extend the term of such securities, (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that such securities are issued as “restricted securities” (as defined in Rule 144) and carry no registration rights that require or permit the filing of any registration statement in connection therewith, and provided that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities, (d) restricted stock units, restricted stock and options to consultants of the Company provided, however, any such issuances to consultants shall not exceed, in the aggregate, 350,000 shares of underlying Common Stock, (e) Securities pursuant to the Transaction Documents, (f) securities in a Qualified Offering and (g) additional units consisting of shares of Series D Convertible Preferred Stock of the Company and related warrants pursuant to an agreement similar to that certain Securities Purchase Agreement, dated March 31, 2019, as amended, among the Company and the investors named therein, provided that the net proceeds from the sale of such units shall not exceed \$75,000, provided further, that such issuance will be limited to one investor that has previously subscribed for the units but has not funded as of the date of this Agreement.

“FCPA” means the Foreign Corrupt Practices Act of 1977, as amended.

“GAAP” shall have the meaning ascribed to such term in Section 3.1(h).

“Indebtedness” shall have the meaning ascribed to such term in Section 3.1(bb).

“Intellectual Property Rights” shall have the meaning ascribed to such term in Section 3.1(o).

“Legend Removal Date” shall have the meaning ascribed to such term in Section 4.1(c).

“Liens” means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

“Lock-Up Agreement” means the Lock-Up Agreement, dated as of the date hereof, by and among the Company and the directors, officers, and holders of the Company’s Series E Convertible Preferred Stock and Series F Convertible Preferred Stock that are also beneficial holders of 5% or more of Common Stock or Common Stock Equivalents, in the form of Exhibit E attached hereto.

“Material Adverse Effect” shall have the meaning assigned to such term in Section 3.1(b).

“Material Permits” shall have the meaning ascribed to such term in Section 3.1(m).

“Maximum Amount” means an aggregate of \$2,953,125 in principal amount of Debentures representing cash payments from Purchasers of \$2,625,000 based on the 12.5% Original Issue Discount on the Debentures.

“Maximum Rate” shall have the meaning ascribed to such term in Section 5.17.

“Minimum Amount” means a minimum of \$450,000 in principal amount of Debentures representing cash payments from Purchasers of \$400,000 based on the 12.5% Original Issue Discount on the Debentures.

“Offering” means the offering of Debentures and Warrants pursuant to this Agreement and the other Transaction Documents.

“Offering Period” means the earlier of (i) the sale of the Maximum Amount, (ii) termination of the Offering as determined by the Company and the Placement Agent or (iii) June 12, 2020, which date may be extended by the Placement Agent and the Company in their joint discretion to July 13, 2020, subject to a further extension to August 14, 2020.

“Participation Maximum” shall have the meaning ascribed to such term in Section 4.12(a).

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“Placement Agent” means Joseph Gunnar & Co. LLC.

“Pledged Securities” means any and all certificates and other instruments representing or evidencing all of the capital stock and other equity interests of the Subsidiaries.

“Pro Rata Portion” shall have the meaning ascribed to such term in Section 4.12(e).

“Proceeding” means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“Principal Amount” means, as to each Purchaser, the amounts set forth below such Purchaser’s signature block on the signature pages hereto next to the heading “Principal Amount,” in United States Dollars, which shall equal such Purchaser’s Subscription Amount multiplied by 1.125.

“Public Information Failure” shall have the meaning ascribed to such term in Section 4.3(b).

“Public Information Failure Payments” shall have the meaning ascribed to such term in Section 4.3(b).

“Purchaser Party” shall have the meaning ascribed to such term in Section 4.10.

“Qualified Offering” shall mean an offering of Common Stock (or units consisting of Common Stock and warrants to purchase Common Stock) for an aggregate price of at least \$5,000,000 resulting in the listing for trading of the Common Stock on the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing).

“Required Approvals” shall have the meaning ascribed to such term in Section 3.1(e).

“Required Minimum” means, as of any date beginning 90 days from the date of this Agreement, subject to Section 5.23, four times (4x) the maximum aggregate number of shares of Common Stock then issued or potentially issuable in the future pursuant to the Transaction Documents, including any Underlying Shares issuable upon exercise in full of all Warrants or conversion in full of all Debentures (including Underlying Shares issuable as payment of interest on the Debentures), ignoring any conversion or exercise limits set forth therein.

“Rule 144” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“Rule 424” means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“SEC Reports” shall have the meaning ascribed to such term in Section 3.1(h).

“Securities” means the Debentures, the Warrants, the Warrant Shares and the Underlying Shares.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Security Agreement” means the Security Agreement, dated the date hereof, by and among the Company and the Purchasers, in the form of Exhibit B attached hereto.

“Security Documents” shall mean the Security Agreement, the Subsidiary Guarantees, the original Pledged Securities, along with medallion guaranteed executed blank stock powers to the Pledged Securities, and any other documents and filing required thereunder in order to grant the Purchasers a security interest in the assets of the Company and the Subsidiaries as provided in the Security Agreement, including all UCC-1 filing receipts.

“Short Sales” means all “short sales” as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include locating and/or borrowing shares of Common Stock).

“Subscription Amount” means, as to each Purchaser, the aggregate amount to be paid for the Debentures and Warrants purchased hereunder as specified below such Purchaser’s name on the signature page of this Agreement and next to the heading “Subscription Amount,” in United States dollars and in immediately available funds.

“Subsequent Financing” shall have the meaning ascribed to such term in Section 4.12(a).

“Subsequent Financing Notice” shall have the meaning ascribed to such term in Section 4.12(b).

“Subsidiary” means any subsidiary of the Company as set forth in Schedule 3.1(a) and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

“Subsidiary Guarantee” means the Subsidiary Guarantee, dated as of the date hereof, by each Subsidiary in favor of the Purchasers, in the form of Exhibit C attached hereto.

“Termination Date” means the date on which the Offering expires or is terminated.”

“Trading Day” means a day on which the principal Trading Market is open for trading.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, OTCQB or OTCQX (or any successors to any of the foregoing).

“Transaction Documents” means this Agreement, the Debentures, the Warrants, the Security Agreement, the Subsidiary Guarantee, the Lock-Up Agreement, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

“Transfer Agent” means Equity Stock Transfer, the current transfer agent of the Company, with a mailing address of 237 W 37th St. Suite 602, New York, NY 10018 and a facsimile number of (347) 584-3644, and any successor transfer agent of the Company.

“Underlying Shares” means the Warrant Shares and the shares of Common Stock issued and issuable pursuant to the terms of the Debenture, including without limitation, shares of Common Stock issued and issuable in lieu of the cash payment of interest on the Debentures in accordance with the terms of the Debentures, in each case without respect to any limitation or restriction on the conversion of the Debentures or the exercise of the Warrants.

“Variable Rate Transaction” shall have the meaning ascribed to such term in Section 4.13(b).

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported on the Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

“Warrants” means, collectively, the Common Stock purchase warrants delivered to the Purchasers at the Closing in accordance with Section 2.2(a) hereof, which Warrants shall be exercisable immediately and have a term of exercise equal to three (3) years, in the form of Exhibit D attached hereto.

“Warrant Shares” means the shares of Common Stock issuable upon exercise of the Warrants.

**ARTICLE II.  
PURCHASE AND SALE**

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, Debentures and Warrants as set forth on each Purchaser's signature page hereto. Each Purchaser shall have delivered to the Escrow Agent pursuant to the instructions contained on Schedule 2.1, via wire transfer or a certified check, immediately available funds equal to such Purchaser's Subscription Amount as set forth on the signature page hereto executed by such Purchaser. Upon the Escrow Agent's receipt of the Minimum Amount and the exchange of items set forth in Section 2.2, the Company and the Placement Agent may give notice to the Escrow Agent to arrange an initial Closing. At any Closing hereunder, the Company shall deliver to each Purchaser its respective Debenture and Warrant, as determined pursuant to Section 2.2(a), and the Company and each Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing. Following the initial Closing where at least the Minimum Amount is sold, subsequent closings may be held up to the sale of the Maximum Amount. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of EGS or such other location as the parties shall mutually agree. Closings hereunder shall only be held during the Offering Period and in no event shall a Closing occur after the Termination Date.

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to the Placement Agent on behalf of each Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) a Debenture with a principal amount equal to such Purchaser's Principal Amount, registered in the name of such Purchaser;

(iii) a Warrant registered in the name of such Purchaser to purchase up to a number of shares of Common Stock equal to 100% of the shares of Common Stock initially issuable pursuant to such Purchaser's Debenture (without regard for any beneficial ownership limitations) with an exercise price equal to \$2.00 per share (subject to adjustment therein);

(iv) the Security Agreement, duly executed by the Company and each Subsidiary, along with all of the Security Documents, including the Subsidiary Guarantee, duly executed by the parties thereto, the original Pledged Securities and corresponding stock powers; and

(v) the Lock-Up Agreements.

(b) On or prior to the Closing Date, each Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by such Purchaser;

(ii) such Purchaser's Subscription Amount as to the Closing by wire transfer to the Escrow Agent to the account specified in Schedule 2.1 hereto;

(iii) Purchaser Questionnaire in the form of Exhibit F hereto; and

(iv) the Security Agreement duly executed by such Purchaser;



### 2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects on (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) the Closing Date of the representations and warranties of the Purchasers contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by each Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of the Purchasers hereunder in connection with the Closing are subject to the following conditions being met (it being understood that the Company may waive any of the conditions for any Closing hereafter):

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the delivery by the Escrow Agent on behalf of the Company of the items set forth in Section 2.2(a) of this Agreement;

(iv) there shall have been no Material Adverse Effect with respect to the Company since the date hereof; and

(v) from the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the Commission or the Company's principal Trading Market and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing.

**ARTICLE III.  
REPRESENTATIONS AND WARRANTIES**

3.1 Representations and Warranties of the Company. The Company hereby makes the following representations and warranties to each Purchaser:

(a) Subsidiaries. All of the direct and indirect subsidiaries of the Company are set forth on Schedule 3.1(a). Except as set forth on Schedule 3.1(a), the Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities. If the Company has no subsidiaries, all other references to the Subsidiaries or any of them in the Transaction Documents shall be disregarded.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents, except as disclosed on Schedule 3.1(b). Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement.

(i) The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(ii) With respect to the Subsidiary Guarantee, each of the Subsidiaries has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by such agreement and otherwise to carry out its obligations thereunder. The execution and delivery of the Subsidiary Guarantee and the consummation by the Company of the transactions contemplated thereby have been duly authorized by all necessary action on the part of the Company, and no further action is required by the respective Subsidiary, its managers or its members in connection therewith. The Subsidiary Guarantee has been (or upon delivery will have been) duly executed by the respective Subsidiaries and, when delivered in accordance with the terms thereof, will constitute the valid and binding obligation of the respective Subsidiary enforceable against such Subsidiary in accordance with its terms, except (A) as listed by general equitable principals and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (B) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (C) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, anti-dilution or similar adjustments, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected except as disclosed on Schedule 3.1(d), or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. Except as disclosed on Schedule 3.1(e), the Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.6 of this Agreement, (ii) the notice and/or application(s) to each applicable Trading Market for the issuance and sale of the Securities and the listing of the Underlying Shares for trading thereon in the time and manner required thereby and (iii) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the “Required Approvals”).

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Underlying Shares, when issued in accordance with the terms of the Transaction Documents, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. Subject to Section 5.23 hereof, on or before 90 days from the date of this Agreement, the Company will reserve from its duly authorized capital stock a number of shares of Common Stock for issuance of the Underlying Shares at least equal to the Required Minimum on the date hereof.

(g) Capitalization. The capitalization of the Company as of the date hereof is as set forth in the SEC Reports. The Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee stock options under the Company’s stock option plans, the issuance of shares of Common Stock to employees or consultants pursuant to the Company’s employee stock purchase plans and pursuant to the conversion and/or exercise of Common Stock Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents, except as disclosed on Schedule 3.1(g). Except as a result of the purchase and sale of the Securities and, as disclosed in the Company’s SEC Reports and Schedule 3.1(g), there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock or the capital stock of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents or capital stock of any Subsidiary. Except as set forth on Schedule 3.1(g), the issuance and sale of the Securities will not obligate the Company or any Subsidiary to issue shares of Common Stock or other securities to any Person (other than the Purchasers). Except as disclosed in the SEC Reports, there are no outstanding securities or instruments of the Company or any Subsidiary with any provision that adjusts the exercise, conversion, exchange or reset price of such security or instrument upon an issuance of securities by the Company or any Subsidiary. There are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The Company does not have any stock appreciation rights or “phantom stock” plans or agreements or any similar plan or agreement. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities, except for shareholder approval to increase the number of authorized shares of Common Stock. There are no stockholders agreements, voting agreements or other similar agreements with respect to the Company’s capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company’s stockholders.

(h) SEC Reports; Financial Statements. Except as set forth on Schedule 3.1(h), the Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the “SEC Reports”) on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. Except as set forth on Schedule 3.1(h), as of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Except as set forth on Schedule 3.1(h), the financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (“GAAP”), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Except as disclosed on Schedule 3.1(i) since the date of the latest audited financial statements included within the SEC Reports, except as set forth on in the SEC Reports, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company’s financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement or as set forth in the SEC Reports, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, prospects, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least 1 Trading Day prior to the date that this representation is made.

(j) Litigation. There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an “Action”) which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. None of the Company’s or its Subsidiaries’ employees is a member of a union that relates to such employee’s relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such

executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Except as disclosed on Schedule 3.1(l) neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Environmental Laws. The Company and its Subsidiaries (i) are in compliance with all federal, state, local and foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands, or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations, issued, entered, promulgated or approved thereunder ("Environmental Laws"); (ii) have received all permits licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses; and (iii) are in compliance with all terms and conditions of any such permit, license or approval where in each clause (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(n) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(o) Title to Assets. Except as set forth on Schedule 3.1(o), the Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.

(p) Intellectual Property. Except as set forth on Schedule 3.1(p), the Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights necessary or required for use in connection with their respective businesses as described in the SEC Reports and which the failure to so have could have a Material Adverse Effect (collectively, the “Intellectual Property Rights”). None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as could not have or reasonably be expected to not have a Material Adverse Effect. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(q) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage at least equal to the aggregate Subscription Amount. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.



(r) Transactions with Affiliates and Employees. Except as set forth in the SEC Reports and Schedule 3.1(r), none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from providing for the borrowing of money from or lending of money to, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of \$120,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(s) Sarbanes-Oxley; Internal Accounting Controls. Except as disclosed in the SEC Reports, the Company and the Subsidiaries are in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. Except as disclosed in the SEC Reports, the Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company and the Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company and the Subsidiaries as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(t) Certain Fees. Except with respect to the fees and expenses payable to the Placement Agent as described in Section 5.2 hereto, no brokerage or finder's fees or commissions or other remuneration are or will be payable by the Company or any Subsidiaries directly or indirectly to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(u) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Trading Market.

(v) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(w) Registration Rights. No Person has any right to cause the Company or any Subsidiary to effect the registration under the Securities Act of any securities of the Company or any Subsidiaries.

(x) Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. Except as disclosed on Schedule 3.1(x) the Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements. The Common Stock is currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees to the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer.

(y) Application of Takeover Protections. The Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's certificate of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company's issuance of the Securities and the Purchasers' ownership of the Securities.

(z) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents and except as set forth on Schedule 3.1(z), the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Transaction Documents and disclosure schedules to this Agreement, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(aa) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(bb) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Minimum Amount of Securities hereunder, the Company will have sufficient cash to operate its business as currently operated for a period of three months from the initial Closing Date. The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date. Schedule 3.1(bb) sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, "Indebtedness" means (x) any liabilities for borrowed money or amounts owed in excess of \$50,000 (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of \$50,000 due under leases required to be capitalized in accordance with GAAP. Except as disclosed on Schedule 3.1(bb), neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(cc) Tax Status. Except as disclosed on Schedule 3.1(cc) and except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(dd) No General Solicitation. Neither the Company nor any Person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other “accredited investors” within the meaning of Rule 501 under the Securities Act.

(ee) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law or (iv) violated in any material respect any provision of FCPA.

(ff) Accountants. The Company’s accounting firm is set forth in the SEC Reports. To the knowledge and belief of the Company, such accounting firm (i) is a registered public accounting firm as required by the Exchange Act and (ii) shall express its opinion with respect to the financial statements to be included in the Company’s Annual Report for the fiscal year ending December 31, 2020.

(gg) Seniority. As of the Closing Date, except as provided in Schedule 3.1(gg), no Indebtedness or other claim against the Company is senior to the Debentures in right of payment, whether with respect to interest or upon liquidation or dissolution, or otherwise, other than indebtedness secured by purchase money security interests (which is senior only as to underlying assets covered thereby) and capital lease obligations (which is senior only as to the property covered thereby).

(hh) No Disagreements with Accountants and Lawyers. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company and the Company is current with respect to any fees owed to its accountants and lawyers which could affect the Company's ability to perform any of its obligations under any of the Transaction Documents.

(ii) Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(jj) Acknowledgment Regarding Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(g) and 4.15 hereof), it is understood and acknowledged by the Company that: (i) none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term, (ii) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities, (iii) any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, may presently have a "short" position in the Common Stock and (iv) each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (y) one or more Purchasers may engage in hedging activities at various times during the period that the Securities are outstanding, including, without limitation, during the periods that the value of the Underlying Shares deliverable with respect to Securities are being determined, and (z) such hedging activities (if any) could reduce the value of the existing stockholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents.

(kk) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Company's placement agent in connection with the placement of the Securities.

(ll) Stock Option Plans. Each stock option granted by the Company under the Company's stock option plan was granted (i) in accordance with the terms of the Company's stock option plan and (ii) with an exercise price at least equal to the fair market value of the Common Stock on the date such stock option would be considered granted under GAAP and applicable law. No stock option granted under the Company's stock option plan has been backdated. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant, stock options prior to, or otherwise knowingly coordinate the grant of stock options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

(mm) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(nn) U.S. Real Property Holding Corporation. The Company is not and has never been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon Purchaser's request.

(oo) Bank Holding Company Act. Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the "BHCA") and to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Neither the Company nor any of its Subsidiaries or Affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(pp) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no Action or Proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

(qq) No Disqualification Events. With respect to the Securities to be offered and sold hereunder in reliance on Rule 506 under the Securities Act, none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person" and, together, "Issuer Covered Persons") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Purchasers a copy of any disclosures provided thereunder.

(rr) Other Covered Persons. The Company is not aware of any person (other than any Issuer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Securities.

(ss) Notice of Disqualification Events. The Company will notify the Purchasers in writing, prior to the Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Issuer Covered Person.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein, in which case they shall be accurate as of such date):

(a) Organization; Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.



(b) Own Account. Such Purchaser understands that the Securities are “restricted securities” and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser’s right to sell the Securities pursuant to a registration statement covering the resale of such security or otherwise in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it exercises any Warrants or converts any Debentures it will be either an “accredited investor” as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act.

(d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) General Solicitation. Such Purchaser is not, to such Purchaser’s knowledge, purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or, to the knowledge of such Purchaser, any other general solicitation or general advertisement.

(f) Access to Information. Such Purchaser acknowledges that it has had the opportunity to review the Transaction Documents (including all exhibits and schedules thereto) and the SEC Reports and has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Securities and the merits and risks of investing in the Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment, including the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the Commission on May 8, 2020, the investor presentation attached as Exhibit G to this Agreement and term sheet attached as Exhibit H to this Agreement; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.



(g) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, such Purchaser has not, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, directly or indirectly executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that such Purchaser first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other Persons party to this Agreement or to such Purchaser's representatives, including, without limitation, its officers, directors, partners, legal and other advisors, employees, agents and Affiliates, such Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for the avoidance of doubt, nothing contained herein shall constitute a representation or warranty against, or a prohibition of, any actions with respect to the borrowing of, arrangement to borrow, identification of the availability of, and/or securing of, securities of the Company in order for such Purchaser (or its broker or other financial representative) to effect Short Sales or similar transactions in the future.

The Company acknowledges and agrees that the representations contained in this Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transactions contemplated hereby. Notwithstanding the foregoing, for the avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to locating or borrowing shares in order to effect Short Sales or similar transactions in the future.

#### **ARTICLE IV. OTHER AGREEMENTS OF THE PARTIES**

##### **4.1 Transfer Restrictions.**

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement.

(b) The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS [EXERCISABLE] [CONVERTIBLE] HAS [NOT] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY [AND THE SECURITIES ISSUABLE UPON [EXERCISE] [CONVERSION] OF THIS SECURITY] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities, including, if the Securities have been registered for resale pursuant to a registration statement, the preparation and filing of any required prospectus supplement under Rule 424(b)(3) under the Securities Act or other applicable provision of the Securities Act to appropriately amend the list of selling stockholders thereunder.

(c) Certificates evidencing the Underlying Shares shall not contain any legend (including the legend set forth in Section 4.1(b) hereof): (i) while a registration statement covering the resale of such security is effective under the Securities Act, (ii) following any sale of such Underlying Shares pursuant to Rule 144 (assuming cashless exercise of the Warrants), or (iii) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall, at its expense, cause its counsel, or at the option of a Purchaser, counsel determined by such Purchaser, to issue a legal opinion to the Transfer Agent or the Purchaser promptly if required by the Transfer Agent to effect the removal of the legend hereunder, or if requested by a Purchaser, respectively subject to compliance with the Securities Act and/or Rule 144 (for the avoidance of doubt, the Company shall pay all costs associated with such opinions). If all or any portion of a Debenture is converted or Warrant is exercised at a time when there is an effective registration statement to cover the resale of the Underlying Shares, or if such Underlying Shares may be sold under Rule 144 or if such legend is not otherwise required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) then such Underlying Shares shall be issued free of all legends. The Company agrees that at such time as such legend is no longer required under this Section 4.1(c), it will, no later than the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined below) following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Underlying Shares, as applicable, issued with a restrictive legend (such date, the "Legend Removal Date"), deliver or cause to be delivered to such Purchaser a certificate representing such shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4. Certificates for Underlying Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the Common Stock as in effect on the date of delivery of a certificate representing Underlying Shares, as applicable, issued with a restrictive legend.

(d) In addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, (i) as partial liquidated damages and not as a penalty, for each \$1,000 of Underlying Shares (based on the VWAP of the Common Stock on the date such Securities are submitted to the Transfer Agent) delivered for removal of the restrictive legend and subject to Section 4.1(c), \$10 per Trading Day (increasing to \$20 per Trading Day five (5) Trading Days after such damages have begun to accrue) for each Trading Day after the Legend Removal Date until such certificate is delivered without a legend and (ii) if the Company fails to (a) issue and deliver (or cause to be delivered) to a Purchaser by the Legend Removal Date a certificate representing the Securities so delivered to the Company by such Purchaser that is free from all restrictive and other legends and (b) if after the Legend Removal Date such Purchaser purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Purchaser of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock that such Purchaser anticipated receiving from the Company without any restrictive legend, then, an amount equal to the excess of such Purchaser's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including brokerage commissions and other out-of-pocket expenses, if any) (the "Buy-In Price") over the product of (A) such number of Underlying Shares that the Company was required to deliver to such Purchaser by the Legend Removal Date multiplied by (B) the lowest closing sale price of the Common Stock on any Trading Day during the period commencing on the date of the delivery by such Purchaser to the Company of the applicable Underlying Shares (as the case may be) and ending on the date of such delivery and payment under this clause (ii).

(e) Each Purchaser, severally and not jointly with the other Purchasers, agrees with the Company that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a registration statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Acknowledgment of Dilution. The Company acknowledges that the issuance of the Securities may result in dilution of the outstanding shares of Common Stock, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents, including, without limitation, its obligation to issue the Underlying Shares pursuant to the Transaction Documents, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against any Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of the Company.

#### 4.3 Furnishing of Information: Public Information.

(a) Until the time that no Purchaser owns Securities, the Company covenants to maintain the registration of the Common Stock under Section 12(b) or 12(g) of the Exchange Act and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

(b) At any time during the period commencing from the six (6) month anniversary of the date hereof and ending at such time that all of the Securities may be sold without the requirement for the Company to be in compliance with Rule 144(c)(1) and otherwise without restriction or limitation pursuant to Rule 144, if the Company (i) shall fail for any reason to satisfy the current public information requirement under Rule 144(c) or (ii) has ever been an issuer described in Rule 144 (i)(1)(i) or becomes an issuer in the future, and the Company shall fail to satisfy any condition set forth in Rule 144(i)(2) (a "Public Information Failure") then, in addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, by reason of any such delay in or reduction of its ability to sell the Securities, an amount in cash equal to two percent (2.0%) of the aggregate Subscription Amount of such Purchaser's Securities on the day of a Public Information Failure and on every thirtieth (30th) day (pro rated for periods totaling less than thirty days) thereafter until the earlier of (a) the date such Public Information Failure is cured and (b) such time that such public information is no longer required for the Purchasers to transfer the Underlying Shares pursuant to Rule 144. The payments to which a Purchaser shall be entitled pursuant to this Section 4.3(b) are referred to herein as "Public Information Failure Payments." Public Information Failure Payments shall be paid on the earlier of (i) the last day of the calendar month during which such Public Information Failure Payments are incurred and (ii) the third (3rd) Business Day after the event or failure giving rise to the Public Information Failure Payments is cured. In the event the Company fails to make Public Information Failure Payments in a timely manner, such Public Information Failure Payments shall bear interest at the rate of 1.5% per month (prorated for partial months) until paid in full. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Public Information Failure, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

4.4 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.5 Conversion and Exercise Procedures. Each of the form of Notice of Exercise included in the Warrants and the form of Notice of Conversion included in the Debentures set forth the totality of the procedures required of the Purchasers in order to exercise the Warrants or convert the Debentures. Without limiting the preceding sentences, no ink-original Notice of Exercise or Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise or Notice of Conversion form be required in order to exercise the Warrants or convert the Debentures. No additional legal opinion, other information or instructions shall be required of the Purchasers to exercise their Warrants or convert their Debentures. The Company shall honor exercises of the Warrants and conversions of the Debentures and shall deliver Underlying Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

4.6 Securities Laws Disclosure; Publicity. The Company shall (a) by the Disclosure Time, issue a press release disclosing the material terms of the transactions contemplated hereby, and (b) file a Current Report on Form 8-K, including the Transaction Documents as exhibits thereto, with the Commission within the time required by the Exchange Act. From and after the issuance of such press release, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. In addition, effective upon the issuance of such press release, the Company acknowledges and agrees that any and all confidentiality or similar obligations under any agreement, whether written or oral, between the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates on the one hand, and any of the Purchasers or any of their Affiliates on the other hand, shall terminate. The Company and each Purchaser shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except (a) as required by federal securities law in connection with the filing of final Transaction Documents with the Commission and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this clause (b).

4.7 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an “Acquiring Person” under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.8 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, which shall be disclosed pursuant to Section 4.6, the Company covenants and agrees that neither it, nor any other Person acting on its behalf will provide any Purchaser or its agents or counsel with any information that constitutes, or the Company reasonably believes constitutes, material non-public information, unless prior thereto such Purchaser shall have consented to the receipt of such information and agreed with the Company to keep such information confidential. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company. To the extent that the Company delivers any material, non-public information to a Purchaser without such Purchaser’s consent, the Company hereby covenants and agrees that such Purchaser shall not have any duty of confidentiality to the Company, any of its Subsidiaries, or any of their respective officers, directors, agents, employees or Affiliates, or a duty to the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates not to trade on the basis of, such material, non-public information, provided that the Purchaser shall remain subject to applicable law. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.9 Use of Proceeds. Except as set forth on Schedule 4.9 attached hereto, the Company shall use the net proceeds from the sale of the Securities hereunder for working capital purposes and shall not use such proceeds: (a) for the satisfaction of any portion of the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (b) for the redemption of any Common Stock or Common Stock Equivalents, (c) for the settlement of any outstanding litigation (d) in violation of FCPA or OFAC regulations or (e) to lend, give credit or make advances to any officers, directors, employees or affiliates of the Company.

4.10 Indemnification of Purchasers. Subject to the provisions of this Section 4.10, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is solely based upon a material breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which is finally judicially determined to constitute fraud, gross negligence or willful misconduct). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.10 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.



#### 4.11 Reservation and Listing of Securities.

(a) Subject to Section 4.11(b), the Company shall maintain a reserve of the Required Minimum from its duly authorized shares of Common Stock for issuance pursuant to the Transaction Documents in such amount as may then be required to fulfill its obligations in full under the Transaction Documents.

(b) If, on any date, the number of authorized but unissued (and otherwise unreserved) shares of Common Stock is less than the Required Minimum on such date, then the Board of Directors shall use commercially reasonable efforts to amend the Company's certificate or articles of incorporation to increase the number of authorized but unissued shares of Common Stock to at least the Required Minimum at such time, as soon as possible and in any event not later than the 90th day after such date.

(c) The Company shall, if applicable: (i) in the time and manner required by the principal Trading Market, prepare and file with such Trading Market an additional shares listing application covering a number of shares of Common Stock at least equal to the Required Minimum on the date of such application, (ii) take all steps necessary to cause such shares of Common Stock to be approved for listing or quotation on such Trading Market as soon as possible thereafter, (iii) provide to the Purchasers evidence of such listing or quotation and (iv) maintain the listing or quotation of such Common Stock on any date at least equal to the Required Minimum on such date on such Trading Market or another Trading Market. The Company agrees to maintain the eligibility of the Common Stock for electronic transfer through the Depository Trust Company or another established clearing corporation, including, without limitation, by timely payment of fees to the Depository Trust Company or such other established clearing corporation in connection with such electronic transfer.

#### 4.12 Participation in Future Financing.

(a) From the date hereof until the date that is the 24 month anniversary of the Closing Date, upon any issuance by the Company or any of its Subsidiaries of Common Stock or Common Stock Equivalents for consideration (a "Subsequent Financing"), each Purchaser shall have, subject to the prior participation rights of the holders of the Company's Series D Convertible Preferred Stock under that certain Securities Purchase Agreement, dated March 31, 2019, as amended, the right to participate in up to an amount of the Subsequent Financing equal to 33% of the Subsequent Financing (the "Participation Maximum") on the same terms, conditions and price provided for in the Subsequent Financing. Provided, however, that this Section 4.12 does not apply to any securities offerings of the Company with a broker-dealer acting either as principal or agent.



(b) Between the time period of 4:00 pm (New York City time) and 6:00 pm (New York City time) on the Trading Day immediately prior to the Trading Day of the expected announcement of the Subsequent Financing (or, if the Trading Day of the expected announcement of the Subsequent Financing is the first Trading Day following a holiday or a weekend (including a holiday weekend), between the time period of 4:00 pm (New York City time) on the Trading Day immediately prior to such holiday or weekend and 2:00 pm (New York City time) on the day immediately prior to the Trading Day of the expected announcement of the Subsequent Financing), the Company shall deliver to each Purchaser a written notice of the Company's intention to effect a Subsequent Financing (a "Subsequent Financing Notice"), which notice shall describe in reasonable detail the proposed terms of such Subsequent Financing, the amount of proceeds intended to be raised thereunder and the Person or Persons through or with whom such Subsequent Financing is proposed to be effected and shall include a term sheet and transaction documents relating thereto as an attachment.

(c) Any Purchaser desiring to participate in such Subsequent Financing must provide written notice to the Company by 6:30 am (New York City time) on the Trading Day following the date on which the Subsequent Financing Notice is delivered to such Purchaser (the "Notice Termination Time") that such Purchaser is willing to participate in the Subsequent Financing, the amount of such Purchaser's participation, and representing and warranting that such Purchaser has such funds ready, willing, and available for investment on the terms set forth in the Subsequent Financing Notice. If the Company receives no such notice from a Purchaser as of such Notice Termination Time, such Purchaser shall be deemed to have notified the Company that it does not elect to participate in such Subsequent Financing.

(d) If, by the Notice Termination Time, notifications by the Purchasers of their willingness to participate in the Subsequent Financing (or to cause their designees to participate) is, in the aggregate, less than the total amount of the Subsequent Financing, then the Company may effect the remaining portion of such Subsequent Financing on the terms and with the Persons set forth in the Subsequent Financing Notice.

(e) If, by the Notice Termination Time, the Company receives responses to a Subsequent Financing Notice from Purchasers seeking to purchase more than the aggregate amount of the Participation Maximum, each such Purchaser shall have the right to purchase its Pro Rata Portion (as defined below) of the Participation Maximum. "Pro Rata Portion" means the ratio of (x) the Subscription Amount of Securities purchased on the Closing Date by a Purchaser participating under this Section 4.12 and (y) the sum of the aggregate Subscription Amounts of Securities purchased on the Closing Date by all Purchasers participating under this Section 4.12.

(f) The Company must provide the Purchasers with a second Subsequent Financing Notice, and the Purchasers will again have the right of participation set forth above in this Section 4.12, if the definitive agreement related to the initial Subsequent Financing Notice is not entered into for any reason on the terms set forth in such Subsequent Financing Notice within two (2) Trading Days after the date of delivery of the initial Subsequent Financing Notice.

(g) The Company and each Purchaser agree that, if any Purchaser elects to participate in the Subsequent Financing, the transaction documents related to the Subsequent Financing shall not include any term or provision that, directly or indirectly, will, or is intended to, exclude one or more of the Purchasers from participating in a Subsequent Financing, including, but not limited to, provisions whereby such Purchaser shall be required to agree to any restrictions on trading as to any of the Securities purchased hereunder or be required to consent to any amendment to or termination of, or grant any waiver, release or the like under or in connection with, this Agreement, without the prior written consent of such Purchaser. In addition, the Company and each Purchaser agree that, in connection with a Subsequent Financing, the transaction documents related to the Subsequent Financing shall include a requirement for the Company to issue a widely disseminated press release by 9:30 am (New York City time) on the Trading Day of execution of the transaction documents in such Subsequent Financing (or, if the date of execution is not a Trading Day, on the immediately following Trading Day) that discloses the material terms of the transactions contemplated by the transaction documents in such Subsequent Financing.

(h) Notwithstanding anything to the contrary in this Section 4.12 and unless otherwise agreed to by such Purchaser, the Company shall either confirm in writing to such Purchaser that the transaction with respect to the Subsequent Financing has been abandoned or shall publicly disclose its intention to issue the securities in the Subsequent Financing, in either case in such a manner such that such Purchaser will not be in possession of any material, non-public information, by 9:30 am (New York City time) on the second (2nd) Trading Day following date of delivery of the Subsequent Financing Notice. If by 9:30 am (New York City time) on such second (2nd) Trading Day, no public disclosure regarding a transaction with respect to the Subsequent Financing has been made, and no notice regarding the abandonment of such transaction has been received by such Purchaser, such transaction shall be deemed to have been abandoned and such Purchaser shall not be deemed to be in possession of any material, non-public information with respect to the Company or any of its Subsidiaries.

(i) Notwithstanding the foregoing, this Section 4.12 shall not apply in respect of an Exempt Issuance, a Qualified Offering or any other public offering of Common Stock pursuant to a Registration Statement on Form S-1 or Form S-3.

#### 4.13 Subsequent Equity Sales.

(a) From the date hereof until 180 days after the Closing Date, neither the Company nor any Subsidiary shall issue, enter into any agreement to issue or announce the issuance or proposed issuance of any shares of Common Stock or Common Stock Equivalents, except as set forth in subsection 4.13(c) below.

(b) From the date hereof until such time as no Purchaser holds any of the Debentures, the Company shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company or any of its Subsidiaries of Common Stock or Common Stock Equivalents (or a combination of units thereof) involving a Variable Rate Transaction. “Variable Rate Transaction” means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, additional shares of Common Stock either (A) at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock or (ii) enters into, or effects a transaction under, any agreement, including, but not limited to, an equity line of credit, whereby the Company may issue securities at a future determined price; provided, however, that, after the 180th day following the Closing Date, the Company’s issuance of shares of Common Stock pursuant to any equity line with Cavalry Fund I LP shall not be deemed a Variable Rate Transaction hereunder. Any Purchaser shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

(c) Notwithstanding the foregoing, this Section 4.13 shall not apply in respect of Qualified Offering or an Exempt Issuance, except that no Variable Rate Transaction shall be an Exempt Issuance.

4.14 Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of the Transaction Documents unless the same consideration is also offered to all of the parties to such Transaction Documents. Further, the Company shall not make any payment of principal or interest on the Debentures in amounts which are disproportionate to the respective principal amounts outstanding on the Debentures at any applicable time. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.15 Certain Transactions and Confidentiality. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it, nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales, of any of the Company’s securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.6. Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to the initial press release as described in Section 4.6, such Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in the SEC Reports. Notwithstanding the foregoing, and notwithstanding anything contained in this Agreement to the contrary, the Company expressly acknowledges and agrees that (i) no Purchaser makes any representation, warranty or covenant hereby that it will not engage in effecting transactions in any securities of the Company after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.6, (ii) no Purchaser shall be restricted or prohibited from effecting any transactions in any securities of the Company in accordance with applicable securities laws from and after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.6 and (iii) no Purchaser shall have any duty of confidentiality or duty not to trade in the securities of the Company to the Company or its Subsidiaries after the issuance of the initial press release as described in Section 4.6. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser’s assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser’s assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement.

4.16 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchasers at the Closing under applicable securities or “Blue Sky” laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

4.17 Capital Changes. Except in connection with the Qualified Offering, until the 18 month anniversary of the Closing Date, the Company shall not undertake a reverse or forward stock split or reclassification of the Common Stock without the prior written consent of the Purchasers holding a majority in principal amount outstanding of the Debentures.

4.18 [Reserved]

4.19 Purchaser Lock-Up. In connection with the closing of a Qualified Offering, each of the Purchasers covenants and agrees to enter into a standard lock-up agreement, solely with respect to the Securities, in a form reasonably agreed to by the Purchasers, that shall provide that for a period beginning on the closing date of a Qualified Offering and ending on the six (6) month anniversary of such closing date, such Purchasers shall not sell into the market pursuant to Rule 144 or pursuant to a then effective registration statement any of the Securities.

4.20 No Further Cash Advances. The Company covenants and agrees that until the date no Debentures are outstanding, the Company will not, directly or indirectly, receive any additional cash advances under those certain Merchant Receivables Purchase and Security Agreements by and between the Company and Change Capital Holdings I, LLC identified on Schedule 3.1(bb).

## ARTICLE V. MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by any Purchaser, as to such Purchaser’s obligations hereunder only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before the fifth (5th) Trading Day following the date hereof, provided, however, that no such termination will affect the right of any party to sue for any breach by any other party (or parties).

5.2 Fees and Expenses. At the Closing, the Company has agreed to reimburse Cavalry Fund I LP the non-accountable sum of \$35,000 for its legal fees and expenses. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any conversion delivered by a Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers. In addition, Joseph Gunnar & Co., LLC is acting as placement agent for this private offering pursuant to a placement agency agreement with the Company and will receive cash and warrant compensation on amounts closed on pursuant to this Agreement, as well as an expense reimbursement from the Company.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment at the email address as set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment as set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and Purchasers which purchased at least 51% in interest of the Debentures based on the initial Subscription Amounts hereunder or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought, provided that if any amendment, modification or waiver disproportionately and adversely impacts a Purchaser (or group of Purchasers), the consent of such disproportionately impacted Purchaser (or group of Purchasers) shall also be required. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right. Any proposed amendment or waiver that disproportionately, materially and adversely affects the rights and obligations of any Purchaser relative to the comparable rights and obligations of the other Purchasers shall require the prior written consent of such adversely affected Purchaser. Any amendment effected in accordance with this Section 5.5 shall be binding upon each Purchaser and holder of Securities and the Company.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the “Purchasers.”

5.8 No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.10. Notwithstanding the foregoing, the Placement Agent shall be deemed a third party beneficiary of the representations and warranties of the Company as contained in Section 3.1 of this Agreement and shall have the right to enforce such provisions directly to the extent it may deem such enforcement necessary or advisable to protect its rights.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any Action or Proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such Action or Proceeding is improper or is an inconvenient venue for such Proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such Action or Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If any party shall commence an Action or Proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Section 4.10, the prevailing party in such Action or Proceeding shall be reimbursed by the non-prevailing party for its reasonable attorneys’ fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Action or Proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Securities.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, that, in the case of a rescission of a conversion of a Debenture or exercise of a Warrant, the applicable Purchaser shall be required to return any shares of Common Stock subject to any such rescinded conversion or exercise notice concurrently with the return to such Purchaser of the aggregate exercise price paid to the Company for such shares and the restoration of such Purchaser’s right to acquire such shares pursuant to such Purchaser’s Warrant (including, issuance of a replacement warrant certificate evidencing such restored right).

5.14 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.



5.15 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any Action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.16 Payment Set Aside. To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.17 Usury. To the extent it may lawfully do so, the Company hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any Action or Proceeding that may be brought by any Purchaser in order to enforce any right or remedy under any Transaction Document. Notwithstanding any provision to the contrary contained in any Transaction Document, it is expressly agreed and provided that the total liability of the Company under the Transaction Documents for payments in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the "Maximum Rate"), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums in the nature of interest that the Company may be obligated to pay under the Transaction Documents exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by law and applicable to the Transaction Documents is increased or decreased by statute or any official governmental action subsequent to the date hereof, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to the Transaction Documents from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Company to any Purchaser with respect to indebtedness evidenced by the Transaction Documents, such excess shall be applied by such Purchaser to the unpaid principal balance of any such indebtedness or be refunded to the Company, the manner of handling such excess to be at such Purchaser's election.



5.18 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non- performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any Proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents. For reasons of administrative convenience only, each Purchaser and its respective counsel have chosen to communicate with the Company through EGS. EGS only represents Cavalry. The Company has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by any of the Purchasers. It is expressly understood and agreed that each provision contained in this Agreement and in each other Transaction Document is between the Company and a Purchaser, solely, and not between the Company and the Purchasers collectively and not between and among the Purchasers.

5.19 Liquidated Damages. The Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.20 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.21 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

**5.22 WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

*(Signature Pages Follow)*

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

**RECRUITER.COM GROUP, INC.**

By: \_\_\_\_\_

Name: Miles Jennings  
Title: Chief Executive Officer

Address for Notice:

100 Waugh Drive, Suite 300 Houston, Texas 77007

Email: miles@recruiter.com

Fax:

With a copy to (which shall not constitute notice):

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK  
SIGNATURE PAGE FOR PURCHASER FOLLOWS]

[PURCHASER SIGNATURE PAGES TO RCRT SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: \_\_\_\_\_

*Signature of Authorized Signatory of Purchaser:* \_\_\_\_\_

Name of Authorized Signatory: \_\_\_\_\_

Title of Authorized Signatory: \_\_\_\_\_

Email Address of Authorized Signatory: \_\_\_\_\_

Facsimile Number of Authorized Signatory: \_\_\_\_\_

Address for Notice to Purchaser:

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Subscription Amount: \$ \_\_\_\_\_

Principal Amount (*1.125 x Subscription Amount*): \$ \_\_\_\_\_

Warrant Shares: \_\_\_\_\_

EIN Number: \_\_\_\_\_

[SIGNATURE PAGES CONTINUE]

## SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of May 28, 2020 (this “Agreement”), is among Recruiter.com Group, Inc., a Nevada corporation (the “Company”), all of the Subsidiaries of the Company (such subsidiaries, the “Guarantors” and together with the Company, the “Debtors”) and the holders of the Company’s 12.5% Senior Subordinated Secured Original Issue Discount Convertible Debentures due May 28, 2021 unless extended pursuant to the terms therein, in the original aggregate principal amount of \$450,000 (collectively, the “Debentures”) signatory hereto, their endorsees, transferees and assigns (collectively, the “Secured Parties”).

## WITNESSETH:

WHEREAS, pursuant to the Purchase Agreement (as defined in the Debentures), the Secured Parties have severally agreed to extend the loans to the Company evidenced by the Debentures;

WHEREAS, pursuant to a certain Subsidiary Guarantee, dated as of the date hereof (the “Guarantee”), the Guarantors have jointly and severally agreed to guarantee and act as surety for payment of such Debentures; and

WHEREAS, in order to induce the Secured Parties to extend the loans evidenced by the Debentures, each Debtor has agreed to execute and deliver to the Secured Parties this Agreement and to grant the Secured Parties, pari passu with each other Secured Party and through the Agent (as defined in Section 18 hereof), a security interest in certain property of such Debtor to secure the prompt payment, performance and discharge in full of all of the Company’s obligations under the Debentures and the Guarantors’ obligations under the Guarantee.

NOW, THEREFORE, in consideration of the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Certain Definitions.** As used in this Agreement, the following terms shall have the meanings set forth in this Section 1. Terms used but not otherwise defined in this Agreement that are defined in Article 9 of the UCC (such as “account”, “chattel paper”, “commercial tort claim”, “deposit account”, “document”, “equipment”, “fixtures”, “general intangibles”, “goods”, “instruments”, “inventory”, “investment property”, “letter-of-credit rights”, “proceeds” and “supporting obligations”) shall have the respective meanings given such terms in Article 9 of the UCC.

(a) “Collateral” means the collateral in which the Secured Parties are granted a security interest by this Agreement and which shall include the following personal property of the Debtors, whether presently owned or existing or hereafter acquired or coming into existence, wherever situated, and all additions and accessions thereto and all substitutions and replacements thereof, and all proceeds, products and accounts thereof, including, without limitation, all proceeds from the sale or transfer of the Collateral and of insurance covering the same and of any tort claims in connection therewith, and all dividends, interest, cash, notes, securities, equity interest or other property at any time and from time to time acquired, receivable or otherwise distributed in respect of, or in exchange for, any or all of the Pledged Securities (as defined below):

(i) All goods, including, without limitation, (A) all machinery, equipment, computers, motor vehicles, trucks, tanks, boats, ships, appliances, furniture, special and general tools, fixtures, test and quality control devices and other equipment of every kind and nature and wherever situated, together with all documents of title and documents representing the same, all additions and accessions thereto, replacements therefor, all parts therefor, and all substitutes for any of the foregoing and all other items used and useful in connection with any Debtor's businesses and all improvements thereto; and (B) all inventory;

(ii) All contract rights and other general intangibles, including, without limitation, all partnership interests, membership interests, stock or other securities, rights under any of the Organizational Documents, agreements related to the Pledged Securities, licenses, distribution and other agreements, computer software (whether "off-the-shelf", licensed from any third party or developed by any Debtor), computer software development rights, leases, franchises, customer lists, quality control procedures, grants and rights, goodwill, Intellectual Property and income tax refunds;

(iii) All accounts, together with all instruments, all documents of title representing any of the foregoing, all rights in any merchandising, goods, equipment, motor vehicles and trucks which any of the same may represent, and all right, title, security and guaranties with respect to each account, including any right of stoppage in transit;

(iv) All documents, letter-of-credit rights, instruments and chattel paper;

(v) All commercial tort claims;

(vi) All deposit accounts and all cash (whether or not deposited in such deposit accounts);

(vii) All investment property;

(viii) All supporting obligations; and

(ix) All files, records, books of account, business papers, and computer programs; and

(x) the products and proceeds of all of the foregoing Collateral set forth in clauses (i)-(ix) above.

Without limiting the generality of the foregoing, the “Collateral” shall include all investment property and general intangibles respecting ownership and/or other equity interests in each Guarantor, including, without limitation, the shares of capital stock and the other equity interests listed on Schedule H hereto (as the same may be modified from time to time pursuant to the terms hereof), and any other shares of capital stock and/or other equity interests of any other direct or indirect subsidiary of any Debtor obtained in the future, and, in each case, all certificates representing such shares and/or equity interests and, in each case, all rights, options, warrants, stock, other securities and/or equity interests that may hereafter be received, receivable or distributed in respect of, or exchanged for, any of the foregoing and all rights arising under or in connection with the Pledged Securities, including, but not limited to, all dividends, interest and cash.

Notwithstanding the foregoing, nothing herein shall be deemed to constitute an assignment of any asset which, in the event of an assignment, becomes void by operation of applicable law or the assignment of which is otherwise prohibited by applicable law (in each case to the extent that such applicable law is not overridden by Sections 9-406, 9-407 and/or 9-408 of the UCC or other similar applicable law); provided, however, that to the extent permitted by applicable law, this Agreement shall create a valid security interest in such asset and, to the extent permitted by applicable law, this Agreement shall create a valid security interest in the proceeds of such asset.

(b) “Intellectual Property” means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, (ii) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof, and all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, (iii) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade dress, service marks, logos, domain names and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common law rights related thereto, (iv) all trade secrets arising under the laws of the United States, any other country or any political subdivision thereof, (v) all rights to obtain any reissues, renewals or extensions of the foregoing, (vi) all licenses for any of the foregoing, and (vii) all causes of action for infringement of the foregoing.

(c) “Majority in Interest” means, at any time of determination, the majority in interest (based on then-outstanding principal amounts of Debentures at the time of such determination) of the Secured Parties.

(d) “Necessary Endorsement” means undated stock powers endorsed in blank or other proper instruments of assignment duly executed and such other instruments or documents as the Agent (as that term is defined below) may reasonably request.

(e) “Obligations” means all of the liabilities and obligations (primary, secondary, direct, contingent, sole, joint or several) due or to become due, or that are now or may be hereafter contracted or acquired, or owing to, of any Debtor to the Secured Parties, including, without limitation, all obligations under this Agreement, the Debentures, the Guarantee and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith, in each case, whether now or hereafter existing, voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from any of the Secured Parties as a preference, fraudulent transfer or otherwise as such obligations may be amended, supplemented, converted, extended or modified from time to time. Without limiting the generality of the foregoing, the term “Obligations” shall include, without limitation: (i) principal of, and interest on the Debentures and the loans extended pursuant thereto; (ii) any and all other fees, indemnities, costs, obligations and liabilities of the Debtors from time to time under or in connection with this Agreement, the Debentures, the Guarantee and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith; and (iii) all amounts (including but not limited to post-petition interest) in respect of the foregoing that would be payable but for the fact that the obligations to pay such amounts are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving any Debtor.

(f) “Organizational Documents” means with respect to any Debtor, the documents by which such Debtor was organized (such as a certificate of incorporation, certificate of limited partnership or articles of organization, and including, without limitation, any certificates of designation for preferred stock or other forms of preferred equity) and which relate to the internal governance of such Debtor (such as bylaws, a partnership agreement or an operating, limited liability or members agreement).

(g) “Pledged Interests” shall have the meaning ascribed to such term in Section 4(j).

(h) “Pledged Securities” shall have the meaning ascribed to such term in Section 4(i).

(i) “UCC” means the Uniform Commercial Code of the State of New York and or any other applicable law of any state or states which has jurisdiction with respect to all, or any portion of, the Collateral or this Agreement, from time to time. It is the intent of the parties that defined terms in the UCC should be construed in their broadest sense so that the term “Collateral” will be construed in its broadest sense. Accordingly if there are, from time to time, changes to defined terms in the UCC that broaden the definitions, they are incorporated herein and if existing definitions in the UCC are broader than the amended definitions, the existing ones shall be controlling.

**2. Grant of Security Interest in Collateral.** As an inducement for the Secured Parties to extend the loans as evidenced by the Debentures and to secure the complete and timely payment, performance and discharge in full, as the case may be, of all of the Obligations, each Debtor hereby unconditionally and irrevocably pledges, grants and hypothecates to the Secured Parties a security interest in and to, a lien upon and a right of set-off against all of their respective right, title and interest of whatsoever kind and nature in and to, the Collateral (a “Security Interest” and, collectively, the “Security Interests”).

**3. Delivery of Certain Collateral.** Contemporaneously or prior to the execution of this Agreement, each Debtor shall deliver or cause to be delivered to the Agent (a) any and all certificates and other instruments representing or evidencing the Pledged Securities, and (b) any and all certificates and other instruments or documents representing any of the other Collateral, in each case, together with all Necessary Endorsements. The Debtors are, contemporaneously with the execution hereof, delivering to Agent, or have previously delivered to Agent, a true and correct copy of each Organizational Document governing any of the Pledged Securities.

**4. Representations, Warranties, Covenants and Agreements of the Debtors.** Except as set forth under the corresponding section of the disclosure schedules delivered to the Secured Parties concurrently herewith (the “Disclosure Schedules”), which Disclosure Schedules shall be deemed a part hereof, each Debtor represents and warrants to, and covenants and agrees with, the Secured Parties as follows:

(a) Each Debtor has the requisite corporate, partnership, limited liability company or other power and authority to enter into this Agreement and otherwise to carry out its obligations hereunder. The execution, delivery and performance by each Debtor of this Agreement and the filings contemplated therein have been duly authorized by all necessary action on the part of such Debtor and no further action is required by such Debtor. This Agreement has been duly executed by each Debtor. This Agreement constitutes the legal, valid and binding obligation of each Debtor, enforceable against each Debtor in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar laws of general application relating to or affecting the rights and remedies of creditors and by general principles of equity.

(b) The Debtors have no place of business or offices where their respective books of account and records are kept (other than temporarily at the offices of its attorneys or accountants) or places where Collateral is stored or located, except as set forth on Schedule A attached hereto. Except as specifically set forth on Schedule A, each Debtor is the record owner of the real property where such Collateral is located, and there exist no mortgages or other liens on any such real property except for Permitted Liens (as defined in the Debentures). Except as disclosed on Schedule A, none of such Collateral is in the possession of any consignee, bailee, warehouseman, agent or processor.



(c) Except for Permitted Liens (as defined in the Debentures) and except as set forth on Schedule B attached hereto, the Debtors are the sole owner of the Collateral (except for non-exclusive licenses granted by any Debtor in the ordinary course of business), free and clear of any liens, security interests, encumbrances, rights or claims, and are fully authorized to grant the Security Interests. Except as set forth on Schedule C attached hereto, there is not on file in any governmental or regulatory authority, agency or recording office an effective financing statement, security agreement, license or transfer or any notice of any of the foregoing (other than those that will be filed in favor of the Secured Parties pursuant to this Agreement) covering or affecting any of the Collateral. Except as set forth on Schedule C attached hereto and except pursuant to this Agreement, as long as this Agreement shall be in effect, the Debtors shall not execute and shall not knowingly permit to be on file in any such office or agency any other financing statement or other document or instrument (except to the extent filed or recorded in favor of the Secured Parties pursuant to the terms of this Agreement).

(d) No written claim has been received that any Collateral or any Debtor's use of any Collateral violates the rights of any third party. There has been no adverse decision to any Debtor's claim of ownership rights in or exclusive rights to use the Collateral in any jurisdiction or to any Debtor's right to keep and maintain such Collateral in full force and effect, and there is no proceeding involving said rights pending or, to the best knowledge of any Debtor, threatened before any court, judicial body, administrative or regulatory agency, arbitrator or other governmental authority.

(e) Each Debtor shall at all times maintain its books of account and records relating to the Collateral at its principal place of business and its Collateral at the locations set forth on Schedule A attached hereto and may not relocate such books of account and records or tangible Collateral unless it delivers to the Secured Parties at least 30 days prior to such relocation (i) written notice of such relocation and the new location thereof (which must be within the United States) and (ii) evidence that appropriate financing statements under the UCC and other necessary documents have been filed and recorded and other steps have been taken to perfect the Security Interests to create in favor of the Secured Parties a valid, perfected and continuing perfected lien in the Collateral.

(f) This Agreement creates in favor of the Secured Parties a valid security interest in the Collateral, subject only to Permitted Liens (as defined in the Debentures) securing the payment and performance of the Obligations. Upon making the filings described in the immediately following paragraph, all security interests created hereunder in any Collateral which may be perfected by filing UCC financing statements shall have been duly perfected. Except for the filing of the UCC financing statements referred to in the immediately following paragraph, the recordation of the Intellectual Property Security Agreement (as defined in Section 4(p) hereof) with respect to copyrights and copyright applications in the United States Copyright Office referred to in paragraph (m), the execution and delivery of deposit account control agreements satisfying the requirements of Section 9-104(a)(2) of the UCC with respect to each deposit account of the Debtors, and the delivery of the certificates and other instruments provided in Section 3, no action is necessary to create, perfect or protect the security interests created hereunder. Without limiting the generality of the foregoing, except for the filing of said financing statements, the recordation of said Intellectual Property Security Agreement, and the execution and delivery of said deposit account control agreements, no consent of any third parties and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for (i) the execution, delivery and performance of this Agreement, (ii) the creation or perfection of the Security Interests created hereunder in the Collateral or (iii) the enforcement of the rights of the Agent and the Secured Parties hereunder.

(g) Each Debtor hereby authorizes the Agent to file one or more financing statements under the UCC, with respect to the Security Interests, with the proper filing and recording agencies in any jurisdiction deemed proper by it.

(h) The execution, delivery and performance of this Agreement by the Debtors does not (i) violate any of the provisions of any Organizational Documents of any Debtor or any judgment, decree, order or award of any court, governmental body or arbitrator or any applicable law, rule or regulation applicable to any Debtor or (ii) except as set forth on Schedule B, conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing any Debtor's debt or otherwise) or other understanding to which any Debtor is a party or by which any property or asset of any Debtor is bound or affected. If any, all required consents (including, without limitation, from stockholders or creditors of any Debtor) necessary for any Debtor to enter into and perform its obligations hereunder have been obtained.

(i) The capital stock and other equity interests listed on Schedule H hereto (the "Pledged Securities") represent all of the capital stock and other equity interests of the Guarantors, and represent all capital stock and other equity interests owned, directly or indirectly, by the Company. All of the Pledged Securities are validly issued, fully paid and nonassessable, and the Company is the legal and beneficial owner of the Pledged Securities, free and clear of any lien, security interest or other encumbrance except for the security interests created by this Agreement and other Permitted Liens (as defined in the Debentures).

(j) The ownership and other equity interests in partnerships and limited liability companies (if any) included in the Collateral (the "Pledged Interests") by their express terms do not provide that they are securities governed by Article 8 of the UCC and are not held in a securities account or by any financial intermediary.

(k) Except for Permitted Liens (as defined in the Debentures), each Debtor shall at all times maintain the liens and Security Interests provided for hereunder as valid and perfected first priority liens and security interests in the Collateral in favor of the Secured Parties until this Agreement and the Security Interest hereunder shall be terminated pursuant to Section 14 hereof. Each Debtor hereby agrees to defend the same against the claims of any and all persons and entities. Each Debtor shall safeguard and protect all Collateral for the account of the Secured Parties. At the request of the Agent, each Debtor will sign and deliver to the Agent on behalf of the Secured Parties at any time or from time to time one or more financing statements pursuant to the UCC in form reasonably satisfactory to the Agent and will pay the cost of filing the same in all public offices wherever filing is, or is deemed by the Agent to be, necessary or desirable to effect the rights and obligations provided for herein. Without limiting the generality of the foregoing, each Debtor shall pay all fees, taxes and other amounts necessary to maintain the Collateral and the Security Interests hereunder, and each Debtor shall obtain and furnish to the Agent from time to time, upon demand, such releases and/or subordinations of claims and liens which may be required to maintain the priority of the Security Interests hereunder.

(l) Except as set forth on Schedule B, no Debtor will transfer, pledge, hypothecate, encumber, license, sell or otherwise dispose of any of the Collateral (except for non-exclusive licenses granted by a Debtor in its ordinary course of business and sales of inventory by a Debtor in its ordinary course of business) without the prior written consent of a Majority in Interest.

(m) Each Debtor shall keep and preserve its equipment, inventory and other tangible Collateral in good condition, repair and order and shall not operate or locate any such Collateral (or cause to be operated or located) in any area excluded from insurance coverage.

(n) Each Debtor shall maintain with financially sound and reputable insurers, insurance with respect to the Collateral, including Collateral hereafter acquired, against loss or damage of the kinds and in the amounts customarily insured against by entities of established reputation having similar properties similarly situated and in such amounts as are customarily carried under similar circumstances by other such entities and otherwise as is prudent for entities engaged in similar businesses but in any event sufficient to cover the full replacement cost thereof. Each Debtor shall cause each insurance policy issued in connection herewith to provide, and the insurer issuing such policy to certify to the Agent, that (a) the Agent will be named as lender loss payee and additional insured under each such insurance policy; (b) if such insurance be proposed to be cancelled or materially changed for any reason whatsoever, such insurer will promptly notify the Agent and such cancellation or change shall not be effective as to the Agent for at least thirty (30) days after receipt by the Agent of such notice, unless the effect of such change is to extend or increase coverage under the policy; and (c) the Agent will have the right (but no obligation) at its election to remedy any default in the payment of premiums within thirty (30) days of notice from the insurer of such default. If no Event of Default (as defined in the Debentures) exists and if the proceeds arising out of any claim or series of related claims do not exceed \$100,000, loss payments in each instance will be applied by the applicable Debtor to the repair and/or replacement of property with respect to which the loss was incurred to the extent reasonably feasible, and any loss payments or the balance thereof remaining, to the extent not so applied, shall be payable to the applicable Debtor; provided, however, that payments received by any Debtor after an Event of Default occurs and is continuing or in excess of \$100,000 for any occurrence or series of related occurrences shall be paid to the Agent on behalf of the Secured Parties and, if received by such Debtor, shall be held in trust for the Secured Parties and immediately paid over to the Agent unless otherwise directed in writing by the Agent. Copies of such policies or the related certificates, in each case, naming the Agent as lender loss payee and additional insured shall be delivered to the Agent at least annually and at the time any new policy of insurance is issued.

(o) Each Debtor shall, within ten (10) days of obtaining knowledge thereof, advise the Secured Parties promptly, in sufficient detail, of any material adverse change in the Collateral, and of the occurrence of any event which would have a material adverse effect on the value of the Collateral or on the Secured Parties' security interest, through the Agent, therein.

(p) Each Debtor shall promptly execute and deliver to the Agent such further deeds, mortgages, assignments, security agreements, financing statements or other instruments, documents, certificates and assurances and take such further action as the Agent may from time to time request and may in its sole discretion deem necessary to perfect, protect or enforce the Secured Parties' security interest in the Collateral including, without limitation, if applicable, the execution and delivery of a separate security agreement with respect to each Debtor's Intellectual Property ("Intellectual Property Security Agreement") in which the Secured Parties have been granted a security interest hereunder, substantially in a form reasonably acceptable to the Agent, which Intellectual Property Security Agreement, other than as stated therein, shall be subject to all of the terms and conditions hereof.

(q) Each Debtor shall permit the Agent and its representatives and agents to inspect the Collateral during normal business hours and upon reasonable prior notice, and to make copies of records pertaining to the Collateral as may be reasonably requested by the Agent from time to time.

(r) Each Debtor shall take all steps reasonably necessary to diligently pursue and seek to preserve, enforce and collect any rights, claims, causes of action and accounts receivable in respect of the Collateral.

(s) Each Debtor shall promptly notify the Secured Parties in sufficient detail upon becoming aware of any attachment, garnishment, execution or other legal process levied against any Collateral and of any other information received by such Debtor that may materially affect the value of the Collateral, the Security Interest or the rights and remedies of the Secured Parties hereunder.

(t) All information heretofore, herein or hereafter supplied to the Secured Parties by or on behalf of any Debtor with respect to the Collateral is accurate and complete in all material respects as of the date furnished.

(u) The Debtors shall at all times preserve and keep in full force and effect their respective valid existence and good standing and any rights and franchises material to its business.

(v) Except in connection with the change by the Company of its state of incorporation from Delaware to Nevada, including by means of a merger, conversion, or otherwise as permitted by the applicable law, no Debtor will change its name, type of organization, jurisdiction of organization, organizational identification number (if it has one), legal or corporate structure, or identity, or add any new fictitious name unless it provides at least 30 days prior written notice to the Secured Parties of such change and, at the time of such written notification, such Debtor provides any financing statements or fixture filings necessary to perfect and continue the perfection of the Security Interests granted and evidenced by this Agreement.

(w) Except in the ordinary course of business, no Debtor may consign any of its inventory or sell any of its inventory on bill and hold, sale or return, sale on approval, or other conditional terms of sale without the consent of the Agent which shall not be unreasonably withheld.

(x) No Debtor may relocate its chief executive office to a new location without providing 30 days prior written notification thereof to the Secured Parties and so long as, at the time of such written notification, such Debtor provides any financing statements or fixture filings necessary to perfect and continue the perfection of the Security Interests granted and evidenced by this Agreement.

(y) Each Debtor was organized and remains organized solely under the laws of the state set forth next to such Debtor's name in Schedule D attached hereto, which Schedule D sets forth each Debtor's organizational identification number or, if any Debtor does not have one, states that one does not exist.

(z) (i) The actual name of each Debtor is the name set forth in Schedule D attached hereto; (ii) no Debtor has any trade names except as set forth on Schedule E attached hereto; (iii) no Debtor has used any name other than that stated in the preamble hereto or as set forth on Schedule E for the preceding five years; and (iv) no entity has merged into any Debtor or been acquired by any Debtor within the past five years except as set forth on Schedule E.

(aa) At any time and from time to time that any Collateral consists of instruments, certificated securities or other items that require or permit possession by the secured party to perfect the security interest created hereby, the applicable Debtor shall deliver such Collateral to the Agent.

(bb) Each Debtor, in its capacity as issuer, hereby agrees to comply with any and all orders and instructions of Agent regarding the Pledged Interests consistent with the terms of this Agreement without the further consent of any Debtor as contemplated by Section 8-106 (or any successor section) of the UCC. Further, each Debtor agrees that it shall not enter into a similar agreement (or one that would confer "control" within the meaning of Article 8 of the UCC) with any other person or entity.

(cc) Each Debtor shall cause all tangible chattel paper constituting Collateral to be delivered to the Agent, or, if such delivery is not possible, then to cause such tangible chattel paper to contain a legend noting that it is subject to the security interest created by this Agreement. To the extent that any Collateral consists of electronic chattel paper, the applicable Debtor shall cause the underlying chattel paper to be “marked” within the meaning of Section 9-105 of the UCC (or successor section thereto).

(dd) If there is any investment property or deposit account included as Collateral that can be perfected by “control” through an account control agreement, the applicable Debtor shall cause such an account control agreement, in form and substance in each case satisfactory to the Agent, to be entered into and delivered to the Agent for the benefit of the Secured Parties.

(ee) To the extent that any Collateral consists of letter-of-credit rights, the applicable Debtor shall cause the issuer of each underlying letter of credit to consent to an assignment of the proceeds thereof to the Secured Parties.

(ff) To the extent that any Collateral is in the possession of any third party, the applicable Debtor shall join with the Agent in notifying such third party of the Secured Parties’ security interest in such Collateral and shall use its best efforts to obtain an acknowledgement and agreement from such third party with respect to the Collateral, in form and substance reasonably satisfactory to the Agent.

(gg) If any Debtor shall at any time hold or acquire a commercial tort claim, such Debtor shall promptly notify the Secured Parties in a writing signed by such Debtor of the particulars thereof and grant to the Secured Parties in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Agent.

(hh) Each Debtor shall immediately provide written notice to the Secured Parties of any and all accounts which arise out of contracts with any governmental authority and, to the extent necessary to perfect or continue the perfected status of the Security Interests in such accounts and proceeds thereof, shall execute and deliver to the Agent an assignment of claims for such accounts and cooperate with the Agent in taking any other steps required, in its judgment, under the Federal Assignment of Claims Act or any similar federal, state or local statute or rule to perfect or continue the perfected status of the Security Interests in such accounts and proceeds thereof.

(ii) Each Debtor shall cause each subsidiary of such Debtor to immediately become a party hereto (an “Additional Debtor”), by executing and delivering an Additional Debtor Joinder in substantially the form of Annex A attached hereto and comply with the provisions hereof applicable to the Debtors. Concurrent therewith, the Additional Debtor shall deliver replacement schedules for, or supplements to all other Schedules to (or referred to in) this Agreement, as applicable, which replacement schedules shall supersede, or supplements shall modify, the Schedules then in effect. The Additional Debtor shall also deliver such opinions of counsel, authorizing resolutions, good standing certificates, incumbency certificates, organizational documents, financing statements and other information and documentation as the Agent may reasonably request. Upon delivery of the foregoing to the Agent, the Additional Debtor shall be and become a party to this Agreement with the same rights and obligations as the Debtors, for all purposes hereof as fully and to the same extent as if it were an original signatory hereto and shall be deemed to have made the representations, warranties and covenants set forth herein as of the date of execution and delivery of such Additional Debtor Joinder, and all references herein to the “Debtors” shall be deemed to include each Additional Debtor.

(jj) Each Debtor shall vote the Pledged Securities to comply with the covenants and agreements set forth herein and in the Debentures.

(kk) Each Debtor shall register the pledge of the applicable Pledged Securities on the books of such Debtor. Each Debtor shall notify each issuer of Pledged Securities to register the pledge of the applicable Pledged Securities in the name of the Secured Parties on the books of such issuer. Further, except with respect to certificated securities delivered to the Agent, the applicable Debtor shall deliver to Agent an acknowledgement of pledge (which, where appropriate, shall comply with the requirements of the relevant UCC with respect to perfection by registration) signed by the issuer of the applicable Pledged Securities, which acknowledgement shall confirm that: (a) it has registered the pledge on its books and records; and (b) at any time directed by Agent during the continuation of an Event of Default, such issuer will transfer the record ownership of such Pledged Securities into the name of any designee of Agent, will take such steps as may be necessary to effect the transfer, and will comply with all other instructions of Agent regarding such Pledged Securities without the further consent of the applicable Debtor.

(ll) In the event that, upon an occurrence of an Event of Default, Agent shall sell all or any of the Pledged Securities to another party or parties (herein called the "Transferee") or shall purchase or retain all or any of the Pledged Securities, each Debtor shall, to the extent applicable: (i) deliver to Agent or the Transferee, as the case may be, the articles of incorporation, bylaws, minute books, stock certificate books, corporate seals, deeds, leases, indentures, agreements, evidences of indebtedness, books of account, financial records and all other Organizational Documents and records of the Debtors and their direct and indirect subsidiaries; (ii) use its best efforts to obtain resignations of the persons then serving as officers and directors of the Debtors and their direct and indirect subsidiaries, if so requested; and (iii) use its best efforts to obtain any approvals that are required by any governmental or regulatory body in order to permit the sale of the Pledged Securities to the Transferee or the purchase or retention of the Pledged Securities by Agent and allow the Transferee or Agent to continue the business of the Debtors and their direct and indirect subsidiaries.

(mm) Without limiting the generality of the other obligations of the Debtors hereunder, each Debtor shall promptly (i) cause to be registered at the United States Copyright Office all of its material copyrights, (ii) cause the security interest contemplated hereby with respect to all Intellectual Property registered at the United States Copyright Office or United States Patent and Trademark Office to be duly recorded at the applicable office, and (iii) give the Agent notice whenever it acquires (whether absolutely or by license) or creates any additional material Intellectual Property.

(nn) Each Debtor will from time to time, at the joint and several expense of the Debtors, promptly execute and deliver all such further instruments and documents, and take all such further action as may be necessary or desirable, or as the Agent may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Secured Parties to exercise and enforce their rights and remedies hereunder and with respect to any Collateral or to otherwise carry out the purposes of this Agreement.

(oo) Schedule F attached hereto lists all of the patents, patent applications, trademarks, trademark applications, registered copyrights, and domain names owned by any of the Debtors as of the date hereof. Schedule F lists all material licenses in favor of any Debtor for the use of any patents, trademarks, copyrights and domain names as of the date hereof. All material patents and trademarks of the Debtors have been duly recorded at the United States Patent and Trademark Office and all material copyrights of the Debtors have been duly recorded at the United States Copyright Office.

(pp) Except as set forth on Schedule G attached hereto, none of the account debtors or other persons or entities obligated on any of the Collateral is a governmental authority covered by the Federal Assignment of Claims Act or any similar federal, state or local statute or rule in respect of such Collateral.

(qq) Until the Obligations shall have been paid and performed in full, the Company covenants that it shall promptly direct any direct or indirect subsidiary of the Company formed or acquired after the date hereof to enter into a Subsidiary Guarantee in favor of the Secured Party, in the form of Exhibit C to the Purchase Agreement.

**5. Effect of Pledge on Certain Rights.** If any of the Collateral subject to this Agreement consists of nonvoting equity or ownership interests (regardless of class, designation, preference or rights) that may be converted into voting equity or ownership interests upon the occurrence of certain events (including, without limitation, upon the transfer of all or any of the other stock or assets of the issuer), it is agreed that the pledge of such equity or ownership interests pursuant to this Agreement or the enforcement of any of Agent's rights hereunder shall not be deemed to be the type of event which would trigger such conversion rights notwithstanding any provisions in the Organizational Documents or agreements to which any Debtor is subject or to which any Debtor is party.



**6. Defaults.** The following events shall be “Events of Default”:

- (a) The occurrence of an Event of Default (as defined in the Debentures) under the Debentures;
- (b) Any representation or warranty of any Debtor in this Agreement shall prove to have been incorrect in any material respect when made;
- (c) The failure by any Debtor to observe or perform any of its obligations hereunder for five (5) days after delivery to such Debtor of notice of such failure by or on behalf of a Secured Party unless such default is capable of cure but cannot be cured within such time frame and such Debtor is using best efforts to cure same in a timely fashion; or
- (d) If any provision of this Agreement shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by any Debtor, or a proceeding shall be commenced by any Debtor, or by any governmental authority having jurisdiction over any Debtor, seeking to establish the invalidity or unenforceability thereof, or any Debtor shall deny that any Debtor has any liability or obligation purported to be created under this Agreement.

**7. Duty To Hold In Trust.**

(a) Upon the occurrence of any Event of Default and at any time thereafter, each Debtor shall, upon receipt of any revenue, income, dividend, interest or other sums subject to the Security Interests, whether payable pursuant to the Debentures or otherwise, or of any check, draft, note, trade acceptance or other instrument evidencing an obligation to pay any such sum, hold the same in trust for the Secured Parties and shall forthwith endorse and transfer any such sums or instruments, or both, to the Secured Parties, pro-rata in proportion to their respective then-currently outstanding principal amount of Debentures for application to the satisfaction of the Obligations (and if any Debenture is not outstanding, pro-rata in proportion to the initial purchases of the remaining Debentures).

(b) If any Debtor shall become entitled to receive or shall receive any securities or other property (including, without limitation, shares of Pledged Securities or instruments representing Pledged Securities acquired after the date hereof, or any options, warrants, rights or other similar property or certificates representing a dividend, or any distribution in connection with any recapitalization, reclassification or increase or reduction of capital, or issued in connection with any reorganization of such Debtor or any of its direct or indirect subsidiaries) in respect of the Pledged Securities (whether as an addition to, in substitution of, or in exchange for, such Pledged Securities or otherwise), such Debtor agrees to (i) accept the same as the agent of the Secured Parties; (ii) hold the same in trust on behalf of and for the benefit of the Secured Parties; and (iii) to deliver any and all certificates or instruments evidencing the same to Agent on or before the close of business on the fifth business day following the receipt thereof by such Debtor, in the exact form received together with the Necessary Endorsements, to be held by Agent subject to the terms of this Agreement as Collateral.

## 8. Rights and Remedies Upon Default.

(a) Upon the occurrence of any Event of Default and at any time thereafter, the Secured Parties, acting through the Agent, shall have the right to exercise all of the remedies conferred hereunder and under the Debentures, and the Secured Parties shall have all the rights and remedies of a secured party under the UCC. Without limitation, the Agent, for the benefit of the Secured Parties, shall have the following rights and powers:

(i) The Agent shall have the right to take possession of the Collateral and, for that purpose, enter, with the aid and assistance of any person, any premises where the Collateral, or any part thereof, is or may be placed and remove the same, and each Debtor shall assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at such Debtor's premises or elsewhere, and make available to the Agent, without rent, all of such Debtor's respective premises and facilities for the purpose of the Agent taking possession of, removing or putting the Collateral in saleable or disposable form.

(ii) Upon notice to the Debtors by Agent, all rights of each Debtor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise and all rights of each Debtor to receive the dividends and interest which it would otherwise be authorized to receive and retain, shall cease. Upon such notice, Agent shall have the right to receive, for the benefit of the Secured Parties, any interest, cash dividends or other payments on the Collateral and, at the option of Agent, to exercise in such Agent's discretion all voting rights pertaining thereto. Without limiting the generality of the foregoing, Agent shall have the right (but not the obligation) to exercise all rights with respect to the Collateral as it were the sole and absolute owner thereof, including, without limitation, to vote and/or to exchange, at its sole discretion, any or all of the Collateral in connection with a merger, reorganization, consolidation, recapitalization or other readjustment concerning or involving the Collateral or any Debtor or any of its direct or indirect subsidiaries.

(iii) The Agent shall have the right to operate the business of each Debtor using the Collateral and shall have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the Collateral, at public or private sale or otherwise, either with or without special conditions or stipulations, for cash or on credit or for future delivery, in such parcel or parcels and at such time or times and at such place or places, and upon such terms and conditions as the Agent may deem commercially reasonable, all without (except as shall be required by applicable statute and cannot be waived) advertisement or demand upon or notice to any Debtor or right of redemption of a Debtor, which are hereby expressly waived. Upon each such sale, lease, assignment or other transfer of Collateral, the Agent, for the benefit of the Secured Parties, may, unless prohibited by applicable law which cannot be waived, purchase all or any part of the Collateral being sold, free from and discharged of all trusts, claims, right of redemption and equities of any Debtor, which are hereby waived and released.

(iv) The Agent shall have the right (but not the obligation) to notify any account debtors and any obligors under instruments or accounts to make payments directly to the Agent, on behalf of the Secured Parties, and to enforce the Debtors' rights against such account debtors and obligors.

(v) The Agent, for the benefit of the Secured Parties, may (but is not obligated to) direct any financial intermediary or any other person or entity holding any investment property to transfer the same to the Agent, on behalf of the Secured Parties, or its designee.

(vi) The Agent may (but is not obligated to) transfer any or all Intellectual Property registered in the name of any Debtor at the United States Patent and Trademark Office and/or Copyright Office into the name of the Secured Parties or any designee or any purchaser of any Collateral.

(b) The Agent shall comply with any applicable law in connection with a disposition of Collateral and such compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. The Agent may sell the Collateral without giving any warranties and may specifically disclaim such warranties. If the Agent sells any of the Collateral on credit, the Debtors will only be credited with payments actually made by the purchaser. In addition, each Debtor waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Agent's rights and remedies hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto.

(c) For the purpose of enabling the Agent to further exercise rights and remedies under this Section 8 or elsewhere provided by agreement or applicable law, each Debtor hereby grants to the Agent, for the benefit of the Agent and the Secured Parties, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to such Debtor) to use, license or sublicense following an Event of Default, any Intellectual Property now owned or hereafter acquired by such Debtor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

**9. Applications of Proceeds.** The proceeds of any such sale, lease or other disposition of the Collateral hereunder or from payments made on account of any insurance policy insuring any portion of the Collateral shall be applied first, to the expenses of retaking, holding, storing, processing and preparing for sale, selling, and the like (including, without limitation, any taxes, fees and other costs incurred in connection therewith) of the Collateral, to the reasonable attorneys' fees and expenses incurred by the Agent in enforcing the Secured Parties' rights hereunder and in connection with collecting, storing and disposing of the Collateral, and then to satisfaction of the Obligations pro rata among the Secured Parties (based on then-outstanding principal amounts of Debentures at the time of any such determination), and to the payment of any other amounts required by applicable law, after which the Secured Parties shall pay to the applicable Debtor any surplus proceeds. If, upon the sale, license or other disposition of the Collateral, the proceeds thereof are insufficient to pay all amounts to which the Secured Parties are legally entitled, the Debtors will be liable for the deficiency, together with interest thereon, at the rate of 18% per annum or the lesser amount permitted by applicable law (the "Default Rate"), and the reasonable fees of any attorneys employed by the Secured Parties to collect such deficiency. To the extent permitted by applicable law, each Debtor waives all claims, damages and demands against the Secured Parties arising out of the repossession, removal, retention or sale of the Collateral, unless due solely to the gross negligence or willful misconduct of the Secured Parties as determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction.

10. **Securities Law Provision.** Each Debtor recognizes that Agent may be limited in its ability to effect a sale to the public of all or part of the Pledged Securities by reason of certain prohibitions in the Securities Act of 1933, as amended, or other federal or state securities laws (collectively, the “Securities Laws”), and may be compelled to resort to one or more sales to a restricted group of purchasers who may be required to agree to acquire the Pledged Securities for their own account, for investment and not with a view to the distribution or resale thereof. Each Debtor agrees that sales so made may be at prices and on terms less favorable than if the Pledged Securities were sold to the public, and that Agent has no obligation to delay the sale of any Pledged Securities for the period of time necessary to register the Pledged Securities for sale to the public under the Securities Laws. Each Debtor shall cooperate with Agent in its attempt to satisfy any requirements under the Securities Laws (including, without limitation, registration thereunder if requested by Agent) applicable to the sale of the Pledged Securities by Agent.

11. **Costs and Expenses.** Each Debtor agrees to pay all reasonable out-of-pocket fees, costs and expenses incurred in connection with any filing required hereunder, including without limitation, any financing statements pursuant to the UCC, continuation statements, partial releases and/or termination statements related thereto or any expenses of any searches reasonably required by the Agent. The Debtors shall also pay all other claims and charges which in the reasonable opinion of the Agent is reasonably likely to prejudice, imperil or otherwise affect the Collateral or the Security Interests therein. The Debtors will also, upon demand, pay to the Agent the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Agent, for the benefit of the Secured Parties, may incur in connection with the creation, perfection, protection, satisfaction, foreclosure, collection or enforcement of the Security Interest and the preparation, administration, continuance, amendment or enforcement of this Agreement and pay to the Agent the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Agent, for the benefit of the Secured Parties, and the Secured Parties may incur in connection with (i) the enforcement of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, or (iii) the exercise or enforcement of any of the rights of the Secured Parties under the Debentures. Until so paid, any fees payable hereunder shall be added to the principal amount of the Debentures and shall bear interest at the Default Rate.

12. **Responsibility for Collateral.** The Debtors assume all liabilities and responsibility in connection with all Collateral, and the Obligations shall in no way be affected or diminished by reason of the loss, destruction, damage or theft of any of the Collateral or its unavailability for any reason. Without limiting the generality of the foregoing, (a) neither the Agent nor any Secured Party (i) has any duty (either before or after an Event of Default) to collect any amounts in respect of the Collateral or to preserve any rights relating to the Collateral, or (ii) has any obligation to clean-up or otherwise prepare the Collateral for sale, and (b) each Debtor shall remain obligated and liable under each contract or agreement included in the Collateral to be observed or performed by such Debtor thereunder. Neither the Agent nor any Secured Party shall have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Agent or any Secured Party of any payment relating to any of the Collateral, nor shall the Agent or any Secured Party be obligated in any manner to perform any of the obligations of any Debtor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Agent or any Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to the Agent or to which the Agent or any Secured Party may be entitled at any time or times.

13. **Security Interests Absolute.** All rights of the Secured Parties and all obligations of the Debtors hereunder, shall be absolute and unconditional, irrespective of: (a) any lack of validity or enforceability of this Agreement, the Debentures or any agreement entered into in connection with the foregoing, or any portion hereof or thereof; (b) any change in the time, manner or place of payment or performance of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Debentures or any other agreement entered into in connection with the foregoing; (c) any exchange, release or nonperfection of any of the Collateral, or any release or amendment or waiver of or consent to departure from any other collateral for, or any guarantee, or any other security, for all or any of the Obligations; (d) any action by the Secured Parties to obtain, adjust, settle and cancel in its sole discretion any insurance claims or matters made or arising in connection with the Collateral; or (e) any other circumstance which might otherwise constitute any legal or equitable defense available to a Debtor, or a discharge of all or any part of the Security Interests granted hereby. Until the Obligations shall have been paid and performed in full, the rights of the Secured Parties shall continue even if the Obligations are barred for any reason, including, without limitation, the running of the statute of limitations or bankruptcy. Each Debtor expressly waives presentment, protest, notice of protest, demand, notice of nonpayment and demand for performance. In the event that at any time any transfer of any Collateral or any payment received by the Secured Parties hereunder shall be deemed by final order of a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under the bankruptcy or insolvency laws of the United States, or shall be deemed to be otherwise due to any party other than the Secured Parties, then, in any such event, each Debtor's obligations hereunder shall survive cancellation of this Agreement, and shall not be discharged or satisfied by any prior payment thereof and/or cancellation of this Agreement, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof. Each Debtor waives all right to require the Secured Parties to proceed against any other person or entity or to apply any Collateral which the Secured Parties may hold at any time, or to marshal assets, or to pursue any other remedy. Each Debtor waives any defense arising by reason of the application of the statute of limitations to any obligation secured hereby.

14. **Term of Agreement.** This Agreement and the Security Interests shall terminate on the date on which all payments under the Debentures have been indefeasibly paid in full and all other Obligations have been paid or discharged; provided, however, that all indemnities of the Debtors contained in this Agreement (including, without limitation, Annex B hereto) shall survive and remain operative and in full force and effect regardless of the termination of this Agreement.

## 15. Power of Attorney; Further Assurances.

(a) Each Debtor authorizes the Agent, and does hereby make, constitute and appoint the Agent and its officers, agents, successors or assigns with full power of substitution, as such Debtor's true and lawful attorney-in-fact, with power, in the name of the Agent or such Debtor, to, after the occurrence and during the continuance of an Event of Default, (i) endorse any note, checks, drafts, money orders or other instruments of payment (including payments payable under or in respect of any policy of insurance) in respect of the Collateral that may come into possession of the Agent; (ii) to sign and endorse any financing statement pursuant to the UCC or any invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts, and other documents relating to the Collateral; (iii) to pay or discharge taxes, liens, security interests or other encumbrances at any time levied or placed on or threatened against the Collateral; (iv) to demand, collect, receipt for, compromise, settle and sue for monies due in respect of the Collateral; (v) to transfer any Intellectual Property or provide licenses respecting any Intellectual Property; and (vi) generally, at the option of the Agent, and at the expense of the Debtors, at any time, or from time to time, to execute and deliver any and all documents and instruments and to do all acts and things which the Agent deems necessary to protect, preserve and realize upon the Collateral and the Security Interests granted therein in order to effect the intent of this Agreement and the Debentures all as fully and effectually as the Debtors might or could do; and each Debtor hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable for the term of this Agreement and thereafter as long as any of the Obligations shall be outstanding. The designation set forth herein shall be deemed to amend and supersede any inconsistent provision in the Organizational Documents or other documents or agreements to which any Debtor is subject or to which any Debtor is a party. Without limiting the generality of the foregoing, after the occurrence and during the continuance of an Event of Default, each Secured Party is specifically authorized to execute and file any applications for or instruments of transfer and assignment of any patents, trademarks, copyrights or other Intellectual Property with the United States Patent and Trademark Office and the United States Copyright Office.

(b) On a continuing basis, each Debtor will make, execute, acknowledge, deliver, file and record, as the case may be, with the proper filing and recording agencies in any jurisdiction, including, without limitation, the jurisdictions indicated on Schedule C attached hereto, all such instruments, and take all such action as may reasonably be deemed necessary or advisable, or as reasonably requested by the Agent, to perfect the Security Interests granted hereunder and otherwise to carry out the intent and purposes of this Agreement, or for assuring and confirming to the Agent the grant or perfection of a perfected security interest in all the Collateral under the UCC.

(c) Each Debtor hereby irrevocably appoints the Agent as such Debtor's attorney-in-fact, with full authority in the place and instead of such Debtor and in the name of such Debtor, from time to time in the Agent's discretion, to take any action and to execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, pertaining to the filing, in its sole discretion, of one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of such Debtor where permitted by law, which financing statements may (but need not) describe the Collateral as "all assets" or "all personal property" or words of like import, and ratifies all such actions taken by the Agent. This power of attorney is coupled with an interest and shall be irrevocable for the term of this Agreement and thereafter as long as any of the Obligations shall be outstanding.

16. **Notices.** All notices, requests, demands and other communications hereunder shall be subject to the notice provision of the Purchase Agreement (as such term is defined in the Debentures).

17. **Other Security.** To the extent that the Obligations are now or hereafter secured by property other than the Collateral or by the guarantee, endorsement or property of any other person, firm, corporation or other entity, then the Agent shall have the right, in its sole discretion, to pursue, relinquish, subordinate, modify or take any other action with respect thereto, without in any way modifying or affecting any of the Secured Parties' rights and remedies hereunder.

18. **Appointment of Agent.** The Secured Parties hereby appoint Cavalry Fund I LP to act as their agent ("Agent") for purposes of exercising any and all rights and remedies of the Secured Parties hereunder. Such appointment shall continue until revoked in writing by a Majority in Interest, at which time a Majority in Interest shall appoint a new Agent. The Agent shall have the rights, responsibilities and immunities set forth in Annex B hereto.

19. **Miscellaneous.**

(a) No course of dealing between the Debtors and the Secured Parties, nor any failure to exercise, nor any delay in exercising, on the part of the Secured Parties, any right, power or privilege hereunder or under the Debentures shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(b) All of the rights and remedies of the Secured Parties with respect to the Collateral, whether established hereby or by the Debentures or by any other agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently.

(c) This Agreement, together with the exhibits and schedules hereto, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into this Agreement and the exhibits and schedules hereto. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Debtors and the Secured Parties holding 67% or more of the principal amount of Debentures then outstanding, or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought.



(d) If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(e) No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

(f) This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company and the Guarantors may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Secured Party (other than by merger). Any Secured Party may assign any or all of its rights under this Agreement to any Person (as defined in the Purchase Agreement) to whom such Secured Party assigns or transfers any Obligations, provided such transferee agrees in writing to be bound, with respect to the transferred Obligations, by the provisions of this Agreement that apply to the "Secured Parties."

(g) Each party shall take such further action and execute and deliver such further documents as may be necessary or appropriate in order to carry out the provisions and purposes of this Agreement.

(h) Except to the extent mandatorily governed by the jurisdiction or situs where the Collateral is located, all questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Except to the extent mandatorily governed by the jurisdiction or situs where the Collateral is located, each Debtor agrees that all proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and the Debentures (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, Borough of Manhattan. Except to the extent mandatorily governed by the jurisdiction or situs where the Collateral is located, each Debtor hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such proceeding is improper. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.



(i) This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.

(j) All Debtors shall jointly and severally be liable for the obligations of each Debtor to the Secured Parties hereunder.

(k) Each Debtor shall indemnify, reimburse and hold harmless the Agent and the Secured Parties and their respective partners, members, shareholders, officers, directors, employees and agents (and any other persons with other titles that have similar functions) (collectively, “Indemnitees”) from and against any and all losses, claims, liabilities, damages, penalties, suits, costs and expenses, of any kind or nature, (including fees relating to the cost of investigating and defending any of the foregoing) imposed on, incurred by or asserted against such Indemnitee in any way related to or arising from or alleged to arise from this Agreement or the Collateral, except any such losses, claims, liabilities, damages, penalties, suits, costs and expenses which result from the gross negligence or willful misconduct of the Indemnitee as determined by a final, nonappealable decision of a court of competent jurisdiction. This indemnification provision is in addition to, and not in limitation of, any other indemnification provision in the Debentures, the Purchase Agreement (as such term is defined in the Debentures) or any other agreement, instrument or other document executed or delivered in connection herewith or therewith.

(l) Nothing in this Agreement shall be construed to subject Agent or any Secured Party to liability as a partner in any Debtor or any if its direct or indirect subsidiaries that is a partnership or as a member in any Debtor or any of its direct or indirect subsidiaries that is a limited liability company, nor shall Agent or any Secured Party be deemed to have assumed any obligations under any partnership agreement or limited liability company agreement, as applicable, of any such Debtor or any of its direct or indirect subsidiaries or otherwise, unless and until any such Secured Party exercises its right to be substituted for such Debtor as a partner or member, as applicable, pursuant hereto.

(m) To the extent that the grant of the security interest in the Collateral and the enforcement of the terms hereof require the consent, approval or action of any partner or member, as applicable, of any Debtor or any direct or indirect subsidiary of any Debtor or compliance with any provisions of any of the Organizational Documents, the Debtors hereby grant such consent and approval and waive any such noncompliance with the terms of said documents.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed on the day and year first above written.

**RECRUITER.COM GROUP, INC.**

By: \_\_\_\_\_  
Name: Miles Jennings  
Title: Chief Executive Officer

**RECRUITER.COM, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**RECRUITER.COM RECRUITING SOLUTIONS LLC**

By: \_\_\_\_\_  
Name:  
Title:

**VOCAWORKS, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**RECRUITER.COM CONSULTING, LLC**

By: \_\_\_\_\_  
Name:  
Title:

AGENT:

**CAVALRY FUND I LP**

By: \_\_\_\_\_

Name: Thomas P. Walsh

Title: Manager

Notice Address:

61 Kinderkamack Road  
Woodcliff Lake, NJ 07677

[SIGNATURE PAGE OF SECURED PARTIES TO THE SECURITY AGREEMENT]

For Entities

Name of Investing Entity:

*Signature of Authorized Signatory of*

*Investing entity:*

Name of Authorized Signatory:

Title of Authorized Signatory:

Notice Address:

Email:

---

---

---

---

---

---

---

Signature Page for Entities

[SIGNATURE PAGE OF SECURED PARTIES TO THE SECURITY AGREEMENT]

For Individuals:

Name of Individual Investor:

*Signature of Individual Investor:*

Notice Address:

Email:

---

---

---

---

Signature Page for Individual Investors

**ANNEX A**  
**to**  
**SECURITY**  
**AGREEMENT**

**FORM OF ADDITIONAL DEBTOR JOINDER**

Security Agreement dated as of May \_\_, 2020 made by Recruiter.com Group, Inc.  
and its subsidiaries party thereto from time to time, as Debtors to and in favor of  
the Secured Parties identified therein (the "Security Agreement")

Reference is made to the Security Agreement as defined above; capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in, or by reference in, the Security Agreement.

The undersigned hereby agrees that upon delivery of this Additional Debtor Joinder to the Secured Parties referred to above, the undersigned shall (a) be an Additional Debtor under the Security Agreement, (b) have all the rights and obligations of the Debtors under the Security Agreement as fully and to the same extent as if the undersigned was an original signatory thereto and (c) be deemed to have made the representations and warranties set forth therein as of the date of execution and delivery of this Additional Debtor Joinder. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE UNDERSIGNED SPECIFICALLY GRANTS TO THE SECURED PARTIES A SECURITY INTEREST IN THE COLLATERAL AS MORE FULLY SET FORTH IN THE SECURITY AGREEMENT AND ACKNOWLEDGES AND AGREES TO THE WAIVER OF JURY TRIAL PROVISIONS SET FORTH THEREIN.

Attached hereto are supplemental and/or replacement Schedules to the Security Agreement, as applicable.

An executed copy of this Joinder shall be delivered to the Secured Parties, and the Secured Parties may rely on the matters set forth herein on or after the date hereof. This Joinder shall not be modified, amended or terminated without the prior written consent of the Secured Parties.

**Annex A -1**

---

IN WITNESS WHEREOF, the undersigned has caused this Joinder to be executed in the name and on behalf of the undersigned.

[Name of Additional Debtor

By: \_\_\_\_\_

Name:

Title:

Address:

Dated:

---

**Annex A 2**

**ANNEX B  
to SECURITY  
AGREEMENT THE AGENT**

1. **Appointment.** The Secured Parties (all capitalized terms used herein and not otherwise defined shall have the respective meanings provided in the Security Agreement to which this Annex B is attached (the “Agreement”)), by their acceptance of the benefits of the Agreement, hereby designate [ “[ ” or “Agent” ) as the Agent to act as specified herein and in the Agreement. Each Secured Party shall be deemed irrevocably to authorize the Agent to take such action on its behalf under the provisions of the Agreement and any other Transaction Document (as such term is defined in the Purchase Agreement) and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Agent may perform any of its duties hereunder by or through its agents or employees.

2. **Nature of Duties.** The Agent shall have no duties or responsibilities except those expressly set forth in the Agreement. Neither the Agent nor any of its partners, members, shareholders, officers, directors, employees or agents shall be liable for any action taken or omitted by it as such under the Agreement or hereunder or in connection herewith or therewith, be responsible for the consequence of any oversight or error of judgment or answerable for any loss, unless caused solely by its or their gross negligence or willful misconduct as determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction. The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of the Agreement or any other Transaction Document a fiduciary relationship in respect of any Debtor or any Secured Party; and nothing in the Agreement or any other Transaction Document, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of the Agreement or any other Transaction Document except as expressly set forth herein and therein.

3. **Lack of Reliance on the Agent.** Independently and without reliance upon the Agent, each Secured Party, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Company and its subsidiaries in connection with such Secured Party’s investment in the Debtors, the creation and continuance of the Obligations, the transactions contemplated by the Transaction Documents, and the taking or not taking of any action in connection therewith, and (ii) its own appraisal of the creditworthiness of the Company and its subsidiaries, and of the value of the Collateral from time to time, and the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Secured Party with any credit, market or other information with respect thereto, whether coming into its possession before any Obligations are incurred or at any time or times thereafter. The Agent shall not be responsible to the Debtors or any Secured Party for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith, or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectability, priority or sufficiency of the Agreement or any other Transaction Document, or for the financial condition of the Debtors or the value of any of the Collateral, or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of the Agreement or any other Transaction Document, or the financial condition of the Debtors, or the value of any of the Collateral, or the existence or possible existence of any default or Event of Default under the Agreement, the Debentures or any of the other Transaction Documents.

---

**Annex B - 1**



**4. Certain Rights of the Agent.** The Agent shall have the right to take any action with respect to the Collateral, on behalf of all of the Secured Parties. To the extent practical, the Agent shall request instructions from the Secured Parties with respect to any material act or action (including failure to act) in connection with the Agreement or any other Transaction Document, and shall be entitled to act or refrain from acting in accordance with the instructions of a Majority in Interest; if such instructions are not provided despite the Agent's request therefor, the Agent shall be entitled to refrain from such act or taking such action, and if such action is taken, shall be entitled to appropriate indemnification from the Secured Parties in respect of actions to be taken by the Agent; and the Agent shall not incur liability to any person or entity by reason of so refraining. Without limiting the foregoing, (a) no Secured Party shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder in accordance with the terms of the Agreement or any other Transaction Document, and the Debtors shall have no right to question or challenge the authority of, or the instructions given to, the Agent pursuant to the foregoing and (b) the Agent shall not be required to take any action which the Agent believes (i) could reasonably be expected to expose it to personal liability or (ii) is contrary to this Agreement, the Transaction Documents or applicable law.

**5. Reliance.** The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by the proper person or entity, and, with respect to all legal matters pertaining to the Agreement and the other Transaction Documents and its duties thereunder, upon advice of counsel selected by it and upon all other matters pertaining to this Agreement and the other Transaction Documents and its duties thereunder, upon advice of other experts selected by it. Anything to the contrary notwithstanding, the Agent shall have no obligation whatsoever to any Secured Party to assure that the Collateral exists or is owned by the Debtors or is cared for, protected or insured or that the liens granted pursuant to the Agreement have been properly or sufficiently or lawfully created, perfected, or enforced or are entitled to any particular priority.

**6. Indemnification.** To the extent that the Agent is not reimbursed and indemnified by the Debtors, the Secured Parties will jointly and severally reimburse and indemnify the Agent, in proportion to their initially purchased respective principal amounts of Debentures, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent in performing its duties hereunder or under the Agreement or any other Transaction Document, or in any way relating to or arising out of the Agreement or any other Transaction Document except for those determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction to have resulted solely from the Agent's own gross negligence or willful misconduct. Prior to taking any action hereunder as Agent, the Agent may require each Secured Party to deposit with it sufficient sums as it determines in good faith is necessary to protect the Agent for costs and expenses associated with taking such action.

---

## Annex B - 2

## **7. Resignation by the Agent.**

(a) The Agent may resign from the performance of all its functions and duties under the Agreement and the other Transaction Documents at any time by giving 30 days' prior written notice (as provided in the Agreement) to the Debtors and the Secured Parties. Such resignation shall take effect upon the appointment of a successor Agent pursuant to clauses (b) and (c) below.

(b) Upon any such notice of resignation, the Secured Parties, acting by a Majority in Interest, shall appoint a successor Agent hereunder.

(c) If a successor Agent shall not have been so appointed within said 30-day period, the Agent shall then appoint a successor Agent who shall serve as Agent until such time, if any, as the Secured Parties appoint a successor Agent as provided above. If a successor Agent has not been appointed within such 30-day period, the Agent may petition any court of competent jurisdiction or may interplead the Debtors and the Secured Parties in a proceeding for the appointment of a successor Agent, and all fees, including, but not limited to, extraordinary fees associated with the filing of interpleader and expenses associated therewith, shall be payable by the Debtors on demand.

**8. Rights with respect to Collateral.** Each Secured Party agrees with all other Secured Parties and the Agent (i) that it shall not, and shall not attempt to, exercise any rights with respect to its security interest in the Collateral, whether pursuant to any other agreement or otherwise (other than pursuant to this Agreement), or take or institute any action against the Agent or any of the other Secured Parties in respect of the Collateral or its rights hereunder (other than any such action arising from the breach of this Agreement) and (ii) that such Secured Party has no other rights with respect to the Collateral other than as set forth in this Agreement and the other Transaction Documents. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent shall be discharged from its duties and obligations under the Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of the Agreement including this Annex B shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

---

## **Annex B - 3**

**EXECUTIVE EMPLOYMENT AGREEMENT**

THIS EXECUTIVE EMPLOYMENT (the “Agreement”) is entered into as of **July 1, 2020** (the “Effective Date”), by and between Recruiter.com Group, Inc., a Nevada corporation (the “Company”), and Chad MacRae (the “Executive”), located at 6503 Drexel Avenue Los Angeles CA 90048. The provision of a majority of the employment services shall take place in the State of California. An Executive Employment Agreement attached as Schedule 1 is superceded by this Agreement, which agreement controls in all respects.

**WHEREAS**, in its business, the Company has acquired and developed certain trade secrets, including, but not limited to, proprietary processes, sales methods and techniques, and other like confidential business and technical information, including but not limited to, technical information, design systems, pricing methods, pricing rates or discounts, processes, procedures, formulas, designs of computer software, or improvements, or any portion or phase thereof, whether patented or not, or unpatentable, that is of any value whatsoever to the Company, as well as information relating to the Company’s Services (as defined below), information concerning proposed new Services, market feasibility studies, proposed or existing marketing techniques or plans (whether developed or produced by the Company or by any other person or entity for the Company), other Confidential Information, as defined in Section 9(a), and information about the Company’s executives, officers, and directors, which necessarily will be communicated to the Executive by reason of his employment by the Company; and

**WHEREAS**, the Company has a strong and legitimate business interests in preserving and protecting its investment in the Executive, its trade secrets and Confidential Information, and its substantial, significant, or key relationships with vendors and customers, whether actual or prospective; and

**WHEREAS**, the Company desires to preserve and protect its legitimate business interests further by restricting competitive activities of the Executive during the term of this Agreement and for a reasonable time following the termination of this Agreement; and

**WHEREAS**, the Company desires to employ the Executive and to ensure the continued availability to the Company of the Executive’s services, and the Executive is willing to accept such employment and render such services, all upon and subject to the terms and conditions contained in this Agreement.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants set forth in this Agreement, and intending to be legally bound, the Company and the Executive agree as follows:

**1. Representations and Warranties.**

(a) The Executive hereby represents and warrants to the Company that he (i) is not subject to any non-solicitation or non-competition agreement affecting his employment with the Company (other than any prior agreement with the Company or an affiliate of the Company), (ii) is not subject to any confidentiality or nonuse/nondisclosure agreement affecting his employment with the Company (other than any prior agreement with the Company or an affiliate of the Company), and (iii) has brought to the Company no trade secrets, confidential business information, documents, or other personal property of a prior employer. The recitals above are incorporated in this Agreement as representations and covenants. Each party covenants to act in good faith in the discharge of this Agreement.

(b) Notwithstanding anything in this Agreement to the contrary, it is understood and agreed that nothing in this Agreement is intended to restrict or prevent the Executive from engaging in other consulting opportunities offered by third parties. Provided, however, such consulting does not (1) directly conflict with the time commitments required by the Company or (2) directly compete with the Company's business in the markets in which it operates and does not pertain to or concern the Assigned Customers listed on Exhibit A hereto and any additional customers that the Executive shall perform services for a san employee of the Company.

**2. Duties.**

(a) General Duties. The Company shall employ the Executive for a one-year term beginning a sof the Effective Date (the "Term"). He shall serve as the Senior Vice President Recruiters On Demand of the Company, with duties and responsibilities that are assigned to the Executive by other officers of the Company. The Executive shall report to the Company's CEO or such other person as may be designated by the Company's Board of Directors. The Executive shall also perform services for subsidiaries and affiliates of the Company as may be necessary and as requested from time to time. The Executive shall use his best efforts to perform his duties and discharge his responsibilities pursuant to this Agreement competently, carefully, and faithfully. In determining whether or not the Executive has used his best efforts hereunder, the Executive's and the Company's delegation of authority and all surrounding circumstances shall be taken into account and the best efforts of the Executive shall not be judged solely on the Company's earnings or other results of the Executive's performance, except as specifically provided to the contrary by this Agreement.

(b) Adherence to Inside Information Policies. The Executive acknowledges that the Company is publicly-held and, as a result, has implemented inside information policies designed to preclude its executives and those of its subsidiaries and affiliates from violating the federal securities laws by trading on material, non-public information or passing such information on to others in breach of any duty owed to the Company, or any third party. The Executive shall promptly execute any agreements generally distributed by the Company to its employees requiring such employees, including the Executive, to abide by its inside information policies.

Executive Employment Agreement for Chad MacRae

(c) Indemnification. The Executive shall be entitled to rely on the Articles of Incorporation and/or Bylaws for all the corporate indemnifications provided to such Company officers. The Executive shall be entitled to the full protection and limitation of liability afforded to corporate officers by any and all indemnification provisions set forth in the Company Articles of Incorporation and/or Bylaws and as provided by statute.

### **3. Compensation, Expenses and Assignment of Executive's Customers**

- (a) In exchange for transferring the assets as identified in Exhibit A ("Assets and Customers to be transferred") and hereto referred to as the "Assigned Customers", the Executive will be paid the following;

- Upon execution and delivery of this Agreement to the Company, the sum of Fifty thousand dollars (\$50,000) as a non-refundable signing bonus. To clarify, this \$50,000 shall not be considered part of the profit calculations in Exhibit B, but rather as a "free and clear" payment as an incentive to become an employee.
- (i) Starting July 1, 2020, an annual Base salary of \$125,000 paid every two weeks consistent with the payment policies of the Company ("Salary").
- (ii) A Bonus Compensation package capped at \$350,000, equaling the "Profit" defined in Exhibit B - ("Bonus Compensation"). In addition to the aforesaid and as part of his employment compensation, Executive shall receive from the Company five-year Incentive Stock Options, as defined by the Code to purchase 250,000 shares of the Company's common stock issuable under the 2017 Equity Incentive Plan, as amended (the "Plan"), subject to the approval of the Plan by the stockholders of the Company on or before June 18, 2021. The Company represents to the Executive that said stock option grant has already been approved by the Board of Directors (the "Board"). The exercise price for all 250,000 options shall be **\$1.85**.
- (iii) The options shall vest on the last calendar day of each month over a 12 month period beginning the Effective Date in equal monthly increments, subject to continued employment with the Company as of each applicable vesting date and subject to execution of the Company's standard Stock Option Agreement. Unless the Executive is terminated by the Company for Cause before all the stock options have vested, then any remaining unvested stock options shall automatically accelerate and vest so that Executive shall have the right to exercise the full amount of 250,000 options. Upon a termination for Cause, all unvested options shall terminate.

- When the Bonus Compensation, as defined in Exhibit B, totals \$350,000, the Company shall issue to the Executive, subject to approval by the Company's Board, qualified options to purchase an additional 250,000 shares of the Company's common stock at an exercise price equal to the market price as of the date the Bonus Compensation is computed, subject to adjustment for any increase or decrease in the number of issued shares resulting from a stock dividend, stock split, reverse stock split, or other subdivision or consolidation of shares. These options shall vest over a two (2) year period in equal quarterly installments on the last day of each calendar quarter beginning with the first full calendar quarter after computation of the Bonus Compensation totalling \$350,000, subject to the Executive's continued employment with the Company as of each applicable vesting date.
- (v)

Executive Employment Agreement for Chad MacRae

- Expenses. In addition to any compensation received pursuant to this Section 3, the Company will reimburse or advance funds to the Executive for all reasonable documented travel, meals, and lodging (including travel expenses incurred by the Executive related to his travel to the Company's other offices and on business missions for the Company), entertainment and miscellaneous expenses incurred in connection with the performance of his duties under this Agreement, provided that the
- (b) Executive properly provides a written accounting of such expenses to the Company in accordance with the Company's practices. Such reimbursement or advances will be made in accordance with the policies and procedures of the Company in effect from time to time relating to reimbursement of, or advances to, its executive officers, except that no policy shall change the terms of this Agreement.

#### **4. Benefits.**

(a) Paid Time Off. During the Term, for each calendar year starting with the calendar year 2020, the Executive shall be eligible to receive four (4) weeks of Paid Time Off ("PTO"), to be taken at such times as the Executive may select and the affairs of the Company may permit. The Executive's eligibility for PTO in current calendar year shall be prorated based on the Effective Date of this Agreement. Any accrued, but unused days may be carried over to the next calendar year. Any unused PTO on the date of termination will be paid out to the Executive in cash as required by law.

(b) Employee Benefit Programs. The Executive is entitled to participate in any pension, 401(k), insurance, or other employee benefit plan that is maintained by the Company for its executives, including programs of life insurance and reimbursement of membership fees in professional organizations. The benefits provided to the Executive may not be less than the Company provides to any of its executive employees, and shall be subject to the terms and conditions of the applicable plan documents, as they may exist from time to time, subject to applicable law.

#### **5. Termination.**

(a). Termination for Cause. The Company may terminate this Agreement for Cause.

For purposes of this Agreement, "Cause" shall mean: (i) the Executive is convicted of, or pleads guilty or nolo contendere to, a felony; (ii) the Executive, in carrying out his duties hereunder, has acted with gross negligence or intentional misconduct resulting, in any case, in material harm to the Company; (iii) the Executive misappropriates Company funds or otherwise defrauds the Company including a material amount of money or property; (iv) a Court of law has determined that the Executive has breached his fiduciary duty to the Company resulting in material profit to him, directly or indirectly; (v) the Executive materially breaches any agreement with the Company and fails to cure such breach within 10 days of receipt of notice, unless the act is incapable of being cured; (vi) the Executive breaches any provision of Section 8 or Section 9; (vii) the Executive becomes subject to a preliminary or permanent injunction issued by a United States District Court enjoining the Executive from violating any securities law administered or regulated by the Securities and Exchange Commission; (viii) the Executive becomes subject to a cease and desist order or other order issued by the Securities and Exchange Commission after an opportunity for a hearing; (ix) the Executive refuses to carry out a legal resolution adopted by the Company's Board at a meeting in which the Executive was offered a reasonable opportunity to argue that the resolution should not be adopted; or (x) the Executive abuses alcohol or drugs in a manner that materially interferes with the successful performance of his duties.

(b) In the event this Agreement is terminated by either Party except by the Company for Cause, the Executive shall be entitled to the following:

- (1) any accrued but unpaid base salary through the date of termination;
- (2) any accrued but unpaid Bonus Compensation required to be reimbursed under this Agreement;
- (3) any accrued but unpaid expenses required to be reimbursed under this Agreement;
- (4) any accrued but untaken PTO, and
- (5) options in the amount of 250,000 shares shall accelerate in vesting so that the Executive is entitled to exercise up to 250,000 options.

Upon termination of the Executive's employment, the Executive shall (i) provide or return to the Company any and all Company property, including keys, key cards, access cards, security devices, employer credit cards, network access devices, computers, cell phones, smartphones, manuals, work product, thumb drives or other removable information storage devices, and hard drives, and all Company documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any Confidential Information or work product, that are in the possession or control of the Executive, whether they were provided to the Executive by the Company or any of its business associates or created by the Executive in connection with his employment by the

Company; and (ii) delete or destroy all copies of any such documents and materials not returned to the Company that remain in the Executive's possession or control, including those stored on any non-Company devices, networks, storage locations, and media in the Executive's possession or control.

Executive Employment Agreement for Chad MacRae

**6. Indemnification.** The Company shall indemnify and hold-harmless the Executive, to the maximum extent permitted by the Company's Bylaws and applicable law, against all costs, charges, legal fees, and expenses incurred or sustained by him in connection with any action, suit, or proceeding to which he may be made a party by reason of his being an officer or employee of the Company or of any subsidiary or affiliate of the Company. The Executive does hereby and shall in the future, indemnify and hold harmless the Company from and against any and all loss, liability, cost, or expense based upon, arising out of, or otherwise in respect of any claim made by any of the Customers set forth on Exhibit A which claim pre-dates the Effective Date hereof.

(a) No Solicitation of Employees. Until termination of this Agreement and for one year thereafter, the Executive shall not, directly or indirectly, request, recommend, solicit or advise any employee of the Company to terminate his or her employment with the Company, or solicit for employment or recommend to any third party the solicitation for employment of or the provision of services by any individual who was employed by the Company or any of its subsidiaries and affiliates.

(b) Non-disparagement. The Executive agrees that, after the termination of his employment, he will refrain from making, directly or indirectly, in writing or orally, any unfavorable comments about the Company, its operations, policies, or procedures that would be likely to injure the Company's reputation or business prospects; provided, however, that nothing herein shall preclude the Executive from responding truthfully to a lawful subpoena or other compulsory legal process or from providing truthful information otherwise required by law. The Company shall use reasonable efforts to cause its senior executive management team, after the end of Executive's employment, to refrain from making, directly or indirectly, in writing or orally, any unfavorable comments about the Executive that would be likely to injure the Executive's reputation or business prospects; provided, however, that nothing herein shall preclude the Company and its senior executive management team from responding truthfully to a lawful subpoena or other compulsory legal process or from providing truthful information otherwise required by law.

(c) References. References to the Company in this Agreement shall include the Company's subsidiaries and affiliates.

Executive Employment Agreement for Chad MacRae



## **8. Non-Disclosure of Confidential Information.**

(a) For purposes of this Agreement, “Confidential Information” includes, without limitation, trade secrets under any law or the common law, processes, policies, procedures, techniques, designs, drawings, know-how, show-how, technical information, specifications, computer software and source code, information and data relating to the development, research, testing, costs, marketing, and uses of the Services (as defined herein), the Company’s budgets and strategic plans, and the identity and special needs of Customers, vendors, and suppliers, subjects and databases, data, and all technology relating to the Company’s businesses, systems, methods of operation, and Customer lists, Customer information, solicitation leads, marketing and advertising materials, methods and manuals and forms, all of which pertain to the activities or operations of the Company, the names, home addresses and all telephone numbers and e-mail addresses of the Company’s directors, employees, officers, executives, former executives, Customers and former Customers. Confidential Information also includes, without limitation, Confidential Information received from the Company’s subsidiaries and affiliates. For purposes of this Agreement, the following will not constitute Confidential Information: (i) information that the Executive was aware of before the Effective Date of this Agreement, including but not limited to, any and all Assigned Customer information, (ii) information which is or subsequently becomes generally available to the public through no act or fault of the Executive, (iii) information set forth in the written records of the Executive prior to disclosure to the Executive by or on behalf of the Company which information is given to the Company in writing as of or prior to the date of this Agreement, and (iv) information which is lawfully obtained by the Executive in writing from a third party (excluding any affiliates of the Executive) who lawfully acquired the confidential information and who did not acquire such confidential information or trade secret, directly or indirectly, from the Executive or the Company or its subsidiaries or affiliates and who has not breached any duty of confidentiality. As used herein, the term “Services” shall include all services offered for sale and marketed by the Company during the Term.

(b) Legitimate Business Interests. The Executive recognizes that the Company has legitimate business interests to protect and as a consequence, the Executive agrees to the restrictions contained in this Agreement because they further the Company’s legitimate business interests. These legitimate business interests include, but are not limited to (i) trade secrets; (ii) valuable confidential business, technical, and/or professional information that otherwise may not qualify as trade secrets, including, but not limited to, all Confidential Information; (iii) substantial, significant, or key relationships with specific prospective or existing Customers, vendors, or suppliers; (iv) Customer goodwill associated with the Company’s business; and (v) specialized training relating to the Company’s technology, Services, methods, operations and procedures. Notwithstanding the foregoing, nothing in this Section 8(b) shall be construed to impose restrictions greater than those imposed by other provisions of this Agreement.

(c) Confidentiality. During the Term of this Agreement and following termination of employment, for any reason, the Confidential Information shall be held by the Executive in the strictest confidence and shall not, without the prior express written consent of the Company, be disclosed to any person other than in connection with the Executive’s employment by the Company. The Executive further acknowledges that such Confidential Information as is acquired and used by the Company or its subsidiaries or affiliates is a special, valuable, and unique asset. The Executive shall exercise all due and diligent precautions to protect the integrity of the Company’s Confidential Information and to keep it confidential whether it is in written form, on electronic media, oral, or otherwise. The Executive shall not copy any Confidential Information except to the extent necessary to his employment, nor remove any Confidential Information or copies thereof from the Company’s premises except to the extent necessary to his employment. All records, files, materials, and other Confidential Information obtained by the Executive in the course of his employment with the Company are confidential and proprietary and shall remain the exclusive property of the Company. The Executive shall not, except in connection with and as required by his performance of his duties under this Agreement, for any reason use for his own benefit or the benefit of any person or entity other than the Company or disclose any such Confidential Information to any person, firm, corporation, association, or other entity for any reason or purpose whatsoever without the prior express written consent of an executive officer of the Company (excluding the Executive).

Executive Employment Agreement for Chad MacRae

(d) Whistleblowing. Nothing contained in this Agreement shall be construed to prevent the Executive from reporting any act or failure to act to the Securities and Exchange Commission or other governmental body or agencies including but not limited to the Department of Justice, or prevent the Executive from obtaining a fee as a “whistleblower” under Rule 21F-17(a) under the Securities Exchange Act of 1934 or other rules or regulations implemented under the Dodd-Frank Wall Street Reform Act and Consumer Protection Act.

(f) Notice of Immunity Under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 (“DTSA”). Notwithstanding any other provision of this Agreement, the Executive will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (a) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (b) solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document filed under seal in a lawsuit or other proceeding. If the Executive files a wrongful termination claim or a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Company’s trade secrets to the Executive’s attorney and use the trade secret information in the court proceeding if the Executive files any document containing trade secrets under seal; and does not disclose trade secrets, except pursuant to court order.

## **9. Equitable Relief**

(a) The Company and the Executive recognize that the services to be rendered under this Agreement by the Executive are special, unique, and of extraordinary character, and that in the event of the breach by the Executive of the terms and conditions of Sections 7 or 8 above, or take any action in violation of Sections 7 or 8 above, the Company shall be entitled to institute and prosecute proceedings in any court of competent jurisdiction referred to in Section 19(b) below, to enjoin the Executive from breaching the provisions of Sections 7 and/or 8.

(b) Any Equitable Action must be commenced only in the appropriate state or federal court located in Los Angeles, California. The Executive and the Company irrevocably and unconditionally submit to the exclusive jurisdiction of such courts and agree to take any and all future action necessary to submit to the jurisdiction of such courts. The Executive and the Company irrevocably waive any objection that they now have or hereafter may have to the laying of venue of any suit, action, or proceeding brought in any such court and further irrevocably waive any claim that any such suit, action, or proceeding brought in any such court has been brought in an inconvenient forum. Final judgment against the Executive or the Company in any such suit shall be conclusive and may be enforced in other jurisdictions by suit on the judgment, a certified or true copy of which shall be conclusive evidence of the fact and the amount of any liability of the Executive or the Company therein described, or by appropriate proceedings under any applicable treaty or otherwise.

Executive Employment Agreement for Chad MacRae

(c) Conflicts of Interest. While employed by the Company, the Executive shall not, unless approved by the Board, directly or indirectly:

- (1) participate as an individual in any way in the benefits of transactions with any of the Company's vendors or Customers, including, without limitation, having a financial interest in the Company's vendors or Customers, or making loans to, or receiving loans, from, the Company's vendors or Customers;
- (2) realize a personal gain or advantage from a transaction in which the Company has an interest or use information obtained in connection with the Executive's employment with the Company for the Executive's personal advantage or gain; or
- (3) accept any offer to serve as an officer, director, partner, consultant, manager with, or to be employed in a professional, technical, or managerial capacity by, a person or entity that does business with the Company.

**10. Inventions, Ideas, Processes, and Designs.** All inventions, ideas, processes, programs, software, and designs (including all improvements) (i) conceived or made by the Executive during the course of his employment with the Company (whether or not actually conceived during regular business hours) and for a period of three months subsequent to the termination (whether by expiration of the Term or otherwise) of such employment with the Company, and (ii) related to the business of the Company, shall be disclosed in writing promptly to the Company and shall be the sole and exclusive property of the Company, and the Executive hereby assigns any such inventions to the Company. An invention, idea, process, program, software, or design (including an improvement) shall be deemed related to the business of the Company if (a) it was made with the Company's funds, personnel, equipment, supplies, facilities, or Confidential Information, (b) results from work performed by the Executive for the Company, or (c) pertains to the current business or demonstrably anticipated research or development work of the Company. The Executive shall cooperate with the Company and its attorneys in the preparation of patent and copyright applications for such developments and, upon request, shall promptly assign all such inventions, ideas, processes, and designs to the Company. The decision to file for patent or copyright protection or to maintain such development as a trade secret, or otherwise, shall be in the sole discretion of the Company, and the Executive shall be bound by such decision. The Executive hereby irrevocably assigns to the Company, for no additional consideration, the Executive's entire right, title, and interest in and to all work product and intellectual property rights, including the right to sue, counterclaim, and recover for all past, present and future infringement, misappropriation or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained in this Agreement shall be construed to reduce or limit the Company's rights, title, or interest in any work product or intellectual property rights so as to be less in any respect than the Company would have had in the absence of this Agreement. If applicable, the Executive shall provide as a schedule to this Agreement, a complete list of all inventions, ideas, processes, and designs, if any, patented or unpatented, copyrighted or otherwise, or non-copyrighted, including a brief description, which he made or conceived prior to his employment with the Company and which therefore are excluded from the scope of this Agreement. For purposes of clarity, this provision shall not apply to any inventions, ideas, process, programs, software or designs invented, created or conceived by the Executive prior to the Effective Date of this Agreement.

Executive Employment Agreement for Chad MacRae

**11. Indebtedness.** If, during the course of the Executive's employment under this Agreement, the Executive becomes indebted to the Company for any reason, the Company may, if it so elects, and if permitted by applicable law, set off any sum due to the Company from the Executive and collect any remaining balance from the Executive unless the Executive has entered into a written agreement with the Company.

**12. Assignability.** With written notice to the Executive, the rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company, provided that such successor or assign shall acquire all or substantially all of the securities or assets and business of the Company. The Executive's obligations hereunder may not be assigned or alienated and any attempt to do so by the Executive will be void.

**13. Severability.**

(a) The Executive expressly agrees that the character, duration, and geographical scope of the non-competition provisions set forth in this Agreement are reasonable in light of the circumstances as they exist on the date hereof. Should a decision, however, be made at a later date by a court of competent jurisdiction that the character, duration, or geographical scope of such provisions is unreasonable, then it is the intention and the agreement of the Executive and the Company that this Agreement shall be construed by the court in such a manner as to impose only those restrictions on the Executive's conduct that are reasonable in the light of the circumstances and as are necessary to assure to the Company the benefits of this Agreement. If, in any judicial proceeding, a court shall refuse to enforce all of the separate covenants deemed included herein because taken together they are more extensive than necessary to assure to the Company the intended benefits of this Agreement, it is expressly understood and agreed by the parties hereto that the provisions of this Agreement that, if eliminated, would permit the remaining separate provisions to be enforced in such proceeding shall be deemed eliminated, for the purposes of such proceeding, from this Agreement.

Executive Employment Agreement for Chad MacRae

(b) If any provision of this Agreement otherwise is deemed to be invalid or unenforceable or is prohibited by the laws of the state or jurisdiction where it is to be performed, this Agreement shall be considered divisible as to such provision and such provision shall be inoperative in such state or jurisdiction and shall not be part of the consideration moving from either of the parties to the other. The remaining provisions of this Agreement shall be valid and binding and of like effect as though such provisions were not included.

**14. Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The execution of this Agreement by electronic signature and/or DocuSign shall be considered valid and enforceable and it may be by actual, facsimile, or e-mail of a PDF or similar electronic format signature.

**15. Attorneys' Fees.** In the event that there is any dispute, controversy or claim arising out of or relating to this Agreement, or as to the interpretation of any provision herein, breach or enforcement thereof, and any action or proceeding is commenced to interpret and/or enforce the provisions of this Agreement, after a hearing on the merits and after the trier of fact makes a final determination, the prevailing party shall be entitled to an award of reasonable attorneys' fees, costs and expenses (including such fees and costs on appeal). The prevailing party shall be that party determined by the trier of fact to have prevailed on more than 50% of its/his claims and obtains a net recovery in excess of \$10,000 against the other party.

**16. Governing Law; Arbitration.** This Agreement shall be governed or interpreted according to the internal laws of the State of Nevada without regard to choice of law considerations. Except for a claim for equitable relief, any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in Los Angeles, California before one arbitrator. The arbitration shall be administered by JAMS pursuant to JAMS' Streamlined Arbitration Rules and Procedures. Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

**17. Entire Agreement.** This Agreement constitutes the entire Agreement between the parties and supersedes all prior oral and written agreements between the parties hereto with respect to the subject matter hereof. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, except by a statement in writing signed by the party or parties against which enforcement or the change, waiver discharge or termination is sought.

Executive Employment Agreement for Chad MacRae

**18. Section and Paragraph Headings.** The section and paragraph headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

**19. Waiver of Jury Trial.** EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT, INCLUDING ANY EXHIBITS, SCHEDULES, AND ATTACHMENTS ATTACHED TO THIS AGREEMENT, IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, INCLUDING ANY EXHIBITS, SCHEDULES, AND ATTACHMENTS ATTACHED TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**20. Section 409A Compliance.**

(a) This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”), or an exemption thereunder. This Agreement shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement to the contrary, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service (including a voluntary separation from service for good reason that is considered an involuntary separation for purposes of the separation pay exception under Treasury Regulation 1.409A-1(n)(2)) or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made if such termination of employment constitutes a “separation from service” under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

(b) Notwithstanding any other provision of this Agreement, if at the time of the Executive’s termination of employment, the Executive is a “specified employee”, determined in accordance with Section 409A, any payments and benefits provided under this Agreement that constitute “nonqualified deferred compensation” subject to Section 409A (e.g., payments and benefits that do not qualify as a short-term deferral or as a separation pay exception) that are provided to the Executive on account of the Executive’s separation from service shall not be paid until the first payroll date to occur following the six-month anniversary of the Executive’s termination date (“Specified Employee Payment Date”). The aggregate amount of any payments that would otherwise have been made during such six-month period shall be paid in a lump sum on the Specified Employee Payment Date without interest and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule. If the Executive dies during the six-month period, any delayed payments shall be paid to the Executive’s estate in a lump sum upon the Executive’s death.

Executive Employment Agreement for Chad MacRae

(c) To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following:

- (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year;
- (ii) any reimbursement of an eligible expense shall be paid to the Executive on or before the last day of the calendar year following the calendar year in which the expense was incurred; and
- (iii) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

(d) In the event the Company determines that the Executive is a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) of the Code at the time of the Executive’s separation from service, then to the extent any payment or benefit that the Executive becomes entitled to under this Agreement on account of the Executive’s separation from service would be considered deferred compensation subject to Section 409A as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (i) six months and one day after the Executive’s separation from service, or (ii) the Executive’s death (the “Six Month Delay Rule”).

- For purposes of this subparagraph, amounts payable under the Agreement should not provide for a deferral of compensation subject to Section 409A to the extent provided in Treasury Regulation Section 1.409A-1(b)(4) (e.g., short-term deferrals),
- (i) Treasury Regulation Section 1.409A-1(b)(9) (e.g., separation pay plans, including the exception under subparagraph (iii)), and other applicable provisions of the Treasury Regulations.

- To the extent that the Six Month Delay Rule applies to payments otherwise payable on an installment basis, the first payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of the Six Month Delay Rule, and the balance of the installments shall be payable in accordance with their original schedule.
- (ii)

- To the extent that the Six Month Delay Rule applies to the provision of benefits (including, but not limited to, life insurance and medical insurance), such benefit coverage shall nonetheless be provided to the Executive during the first six months following his separation from service (the “Six Month Period”), provided that, during such Six Month Period, the Executive pays to the Company, on a monthly basis in advance, an amount equal to the Monthly Cost (as defined below) of such benefit coverage.
- (iii) The Company shall reimburse the Executive for any such payments made by the Executive in a lump sum not later than 30 days following the six-month anniversary of the Executive’s separation from service. For purposes of this subparagraph, “Monthly Cost” means the minimum dollar amount which, if paid by the Executive on a monthly basis in advance, results in the Executive not being required to recognize any federal income tax on receipt of the benefit coverage during the Six Month Period.

Executive Employment Agreement for Chad MacRae

(e) The parties intend that this Agreement will be administered in accordance with Section 409A. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

(f) The Company makes no representation or warranty and shall have no liability to the Executive or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A but do not satisfy an exemption from, or the conditions of, such Section.

**21. Notification to Subsequent Employer.** When the Executive's employment with the Company terminates, the Executive agrees to notify any subsequent employer of the restrictive covenants sections contained in this Agreement, to the extent that they are lawful and apply to the Executive. In addition, the Executive authorizes the Company to provide a copy of the restrictive covenants sections of this Agreement to third parties, including but not limited to the Executive's subsequent, anticipated, or future employer.

**22. Acknowledgment of Full Understanding; Construction.** The Executive acknowledges and agrees that he has fully read, understands, and voluntarily enters into this Agreement. The Executive acknowledges and agrees that he has had an opportunity to ask questions and consult with an attorney of his choice before signing this Agreement, and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement.

**23. Gender Neutral.** Where appropriate herein, the references to the masculine gender shall include the feminine and neuter, and vice versa, and the singular shall include the plural and the plural the singular, in each case as the context may require.

Executive Employment Agreement for Chad MacRae



25. **No Third Party Beneficiaries.** No incidental beneficiary has any rights under this Agreement, or any other contract, understanding or agreement referenced herein. No third party (other than a party's successors and assigns) may maintain any action upon this Agreement or any of the terms and provisions herein merely because he/she/it would receive a benefit from its performance or because he/she/it may be injured by the breach thereof. This Agreement is made for the benefit of the signing parties only and their respective successors and assigns and for no other person or entity, and the mere fact that a third person would be incidentally benefited does not give him/her/it any rights to sue for breach or for any action or claim.

**IN WITNESS WHEREOF**, the undersigned have executed this Agreement as of the date and year first above written.

By: /s/ Miles Jennings  
Miles Jennings, COO

DocuSigned by:  
*Chad MacRae*  
OC1ACBF291664EA

---

Chad MacRae

Executive Employment Agreement for Chad MacRae

---

**Exhibit B - Bonus Compensation**  
**With Reference to Section 3 and 5.2 of the Agreement**

1. Profit is calculated as follows:

(Add) Gross Revenue from the Assigned Customers listed on Exhibit A

(Less) Cost of Sales from the Assigned Customers listed in Exhibit A

= *Net Revenue*

(Less) All Divisional Operating Expenses associated with the Assigned Customers and the Recruiters on Demand line of business, including all compensation and benefits payable under this Employment Agreement

=*Profit*

Gross Revenue, Cost of Sales, and Operating Expenses will be calculated on a GAAP basis

2. Executive shall receive any Profit which shall be considered "Bonus Compensation" payable to Executive on a quarterly basis,

7/8/2020

Dated: July \_\_\_\_, 2020

By: /s/ Miles Jennings

\_\_\_\_\_  
Miles Jennings, COO

DocuSigned by:  
*Chad MacRae*  
OC1ACBF281604EA

\_\_\_\_\_  
Chad MacRae

Executive Employment Agreement for Chad MacRae

SCHEDULE 1 – PRIOR SUPERCEDED AGREEMENT

Executive Employment Agreement for Chad MacRae

---

## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Evan Sohn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Recruiter.com Group, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under a) our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be b) designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our c) conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the d) registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting a) which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2020

/s/ Evan Sohn

---

Evan Sohn  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Judy Krandel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Recruiter.com Group, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under a) our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be b) designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our c) conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the d) registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting a) which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2020

/s/ Judy Krandel

Judy Krandel  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Recruiter.com Group, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof, I, Evan Sohn, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Evan Sohn

Evan Sohn  
Chief Executive Officer  
(Principal Executive Officer)

Dated: August 13, 2020

In connection with the quarterly report of Recruiter.com Group, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof, I, Judy Krandel, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Judy Krandel

Judy Krandel  
Chief Financial Officer  
(Principal Financial Officer)

Dated: August 13, 2020

**Document and Entity  
Information - shares**

**6 Months Ended**

**Jun. 30, 2020**

**Aug. 07, 2020**

**[Document and Entity Information \[Abstract\]](#)**

<u><a href="#">Entity Registrant Name</a></u>	Recruiter.com Group, Inc.	
<u><a href="#">Entity Central Index Key</a></u>	0001462223	
<u><a href="#">Amendment Flag</a></u>	false	
<u><a href="#">Current Fiscal Year End Date</a></u>	--12-31	
<u><a href="#">Document Type</a></u>	10-Q	
<u><a href="#">Document Period End Date</a></u>	Jun. 30, 2020	
<u><a href="#">Document Fiscal Period Focus</a></u>	Q2	
<u><a href="#">Document Fiscal Year Focus</a></u>	2020	
<u><a href="#">Entity Current reporting Status</a></u>	Yes	
<u><a href="#">Entity Filer Category</a></u>	Non-accelerated Filer	
<u><a href="#">Entity Small Business</a></u>	true	
<u><a href="#">Entity Shell Company</a></u>	false	
<u><a href="#">Entity Emerging Growth Company</a></u>	true	
<u><a href="#">Entity Ex Transition Period</a></u>	false	
<u><a href="#">Entity Common Stock, Shares Outstanding</a></u>		5,131,508
<u><a href="#">Entity Interactive Data Current</a></u>	Yes	
<u><a href="#">Entity File Number</a></u>	000-53641	
<u><a href="#">Entity Incorporation State Country Code</a></u>	NV	

<b>Condensed Consolidated Balance Sheets - USD (\$)</b>	<b>Jun. 30, 2020</b>	<b>Dec. 31, 2019</b>
<b><u>Current assets:</u></b>		
<u>Cash</u>	\$ 1,731,099	\$ 306,252
<u>Accounts receivable, net of allowance for doubtful accounts of \$33,000 and \$21,000, respectively</u>	583,364	864,415
<u>Prepaid expenses and other current assets</u>	94,904	98,503
<u>Investments - available for sale marketable securities</u>	9,017	44,766
<u>Total current assets</u>	2,418,384	1,313,936
<u>Property and equipment, net of accumulated depreciation of \$1,251 and \$673, respectively</u>	2,212	2,790
<u>Right of use asset - related party</u>	177,331	214,020
<u>Intangible assets, net</u>	1,114,209	1,432,554
<u>Goodwill</u>	3,517,315	3,517,315
<u>Total assets</u>	7,229,451	6,480,615
<b><u>Current liabilities:</u></b>		
<u>Accounts payable</u>	316,812	621,389
<u>Accounts payable - related parties</u>	932,514	825,791
<u>Accrued expenses</u>	387,839	2,276,444
<u>Accrued compensation</u>	405,950	276,213
<u>Accrued interest</u>	13,550	985
<u>Liability on sale of future revenues, net of discount of \$69,832 and \$135,641, respectively</u>	208,044	404,101
<u>Advances on receivables</u>	68,156	
<u>Deferred payroll taxes</u>	35,061	
<u>Other liabilities</u>	14,493	
<u>Loans payable - current portion</u>	27,335	25,934
<u>Convertible notes payable, net of unamortized discount and costs of \$2,804,049 and \$0, respectively</u>	149,076	
<u>Refundable deposit on preferred stock purchase</u>	285,000	285,000
<u>Warrant derivative liability</u>	9,783,912	612,042
<u>Lease liability - current portion - related party</u>	73,378	73,378
<u>Deferred revenue</u>	86,689	145,474
<u>Total current liabilities</u>	12,787,809	5,546,751
<u>Lease liability - long term portion - related party</u>	103,953	140,642
<u>Loans payable - long term portion</u>	461,650	77,866
<u>Total liabilities</u>	13,353,412	5,765,259
<u>Commitments and contingencies (Note 11)</u>		
<b><u>Stockholders' (Deficit) Equity:</u></b>		
<u>Preferred stock value</u>		
<u>Common stock, \$0.0001 par value; 250,000,000 shares authorized; 5,009,508 and 3,619,658 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively</u>	501	362
<u>Additional paid-in capital</u>	21,787,410	18,203,048



<u>Accumulated deficit</u>	(27,912,008)	(17,488,188)
<u>Total stockholders' (deficit) equity</u>	(6,123,961)	715,356
<u>Total liabilities and stockholders' (deficit) equity</u>	7,229,451	6,480,615
<u>Preferred Stock, Series D</u>		
<b><u>Stockholders' (Deficit) Equity:</u></b>		
<u>Preferred stock value</u>	55	46
<u>Preferred Stock, Series E</u>		
<b><u>Stockholders' (Deficit) Equity:</u></b>		
<u>Preferred stock value</u>	74	74
<u>Preferred Stock, Series F</u>		
<b><u>Stockholders' (Deficit) Equity:</u></b>		
<u>Preferred stock value</u>	\$ 7	\$ 14

**Condensed Consolidated  
Balance Sheets  
(Parenthetical) - USD (\$)**

**Jun. 30, 2020 Dec. 31, 2019**

<u>Allowance for doubtful accounts</u>	\$ 33,000	\$ 21,000
<u>Net of accumulated depreciation</u>	1,251	673
<u>Liability on sale of future revenues, net of discount</u>	69,832	135,641
<u>Notes payable, net of unamortized discount</u>	\$ 2,804,049	\$ 0
<u>Preferred stock, par value</u>	\$ 0.0001	\$ 0.0001
<u>Preferred stock, shares authorized</u>	10,000,000	10,000,000
<u>Preferred stock, undesignated shares authorized</u>	7,013,600	7,013,600
<u>Preferred stock, shares issued</u>		
<u>Preferred stock, shares outstanding</u>		
<u>Common stock, par value</u>	\$ 0.0001	\$ 0.0001
<u>Common stock, shares authorized</u>	250,000,000	250,000,000
<u>Common stock, shares issued</u>	5,009,508	3,619,658
<u>Common stock, shares outstanding</u>	5,009,508	3,619,658
<u>Series D Preferred Stock</u>		
<u>Preferred stock, par value</u>	\$ 0.0001	\$ 0.0001
<u>Preferred stock, shares authorized</u>	2,000,000	2,000,000
<u>Preferred stock, shares issued</u>	536,595	454,546
<u>Preferred stock, shares outstanding</u>	536,595	454,546
<u>Series E Preferred Stock</u>		
<u>Preferred stock, par value</u>	\$ 0.0001	\$ 0.0001
<u>Preferred stock, shares authorized</u>	775,000	775,000
<u>Preferred stock, shares issued</u>	731,845	734,986
<u>Preferred stock, shares outstanding</u>	731,845	734,986
<u>Series F Preferred Stock</u>		
<u>Preferred stock, par value</u>	\$ 0.0001	\$ 0.0001
<u>Preferred stock, shares authorized</u>	200,000	200,000
<u>Preferred stock, shares issued</u>	64,382	139,768
<u>Preferred stock, shares outstanding</u>	64,382	139,768

Condensed Consolidated Statements of Operations (Unaudited) - USD (\$)	3 Months Ended		6 Months Ended	
	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
<b><u>Income Statement [Abstract]</u></b>				
<u>Revenue</u>	\$ 1,853,414	\$ 1,972,481	\$ 4,166,537	\$ 2,135,783
<u>Cost of revenue (including related party costs of \$298,712, \$794,135, \$954,096 and \$794,135, respectively)</u>	1,418,242	1,461,922	3,169,438	1,461,922
<u>Gross profit</u>	435,172	510,559	997,099	673,861
<b><u>Operating expenses:</u></b>				
<u>Sales and marketing</u>	15,068	2,969	40,311	2,969
<u>Product development</u>	57,401	44,934	140,494	94,788
<u>Amortization of intangibles</u>	159,173		318,346	
<u>General and administrative (including share based compensation expense of \$709,230, \$1,481,322, \$1,650,202 and \$1,568,027 respectively)</u>	1,626,362	2,653,432	3,775,305	3,073,260
<u>Total operating expenses</u>	1,858,004	2,701,335	4,274,456	3,171,017
<u>Loss from operations</u>	(1,422,832)	(2,190,776)	(3,277,357)	(2,497,156)
<b><u>Other income (expenses):</u></b>				
<u>Interest expense</u>	(203,874)	(14,340)	(248,080)	(81,365)
<u>Initial derivative expense</u>	(3,340,554)		(3,340,554)	
<u>Change in derivative value due to anti-dilution adjustments</u>	(2,642,175)		(2,642,175)	
<u>Change in fair value of derivative liability</u>	(339,088)	17,627	(904,176)	17,627
<u>Grant income</u>	7,262		7,262	
<u>Net recognized loss on marketable securities</u>	46	(92,500)	(18,740)	(101,417)
<u>Total other income (expenses)</u>	(6,518,383)	(89,213)	(7,146,463)	(165,155)
<u>Loss before income taxes</u>	(7,941,215)	(2,279,989)	(10,423,820)	(2,662,311)
<u>Provision for income taxes</u>				
<u>Net loss</u>	(7,941,215)	(2,279,989)	(10,423,820)	(2,662,311)
<u>Net loss attributable to the noncontrolling interest</u>				(30,716)
<u>Net loss attributable to the controlling interest before preferred stock dividends</u>	(7,941,215)	(2,279,989)	(10,423,820)	(2,631,595)
<u>Preferred stock dividend</u>				(140,410)
<u>Net loss attributable to Recruiter.com Group, Inc. shareholders</u>	\$ (7,941,215)	\$ (2,279,989)	\$ (10,423,820)	\$ (2,772,005)
<u>Net loss per common share - basic and diluted</u>	\$ (1.64)	\$ (1.27)	\$ (2.31)	\$ (3.05)
<u>Weighted average common shares - basic and diluted</u>	4,834,531	1,788,401	4,508,394	908,798

Condensed Consolidated Statements of Operations (Unaudited) (Parenthetical) - USD (\$)	3 Months Ended		6 Months Ended	
	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
<b><u>Income Statement [Abstract]</u></b>				
<u>Related party costs</u>	\$ 298,712	\$ 794,135	\$ 954,096	\$ 794,135
<u>Shares based compensation expense</u>	\$ 709,230	\$ 1,481,322	\$ 1,650,202	\$ 1,568,027

<b>Condensed Consolidated Statement of Changes in Stockholders' (Deficit) Equity (Unaudited) - USD (\$)</b>	<b>Preferred stock Series D</b>	<b>Preferred stock Series E</b>	<b>Preferred stock Series F</b>	<b>Common stock</b>	<b>Additional Paid in Capital</b>	<b>Accumulated Deficit</b>	<b>Noncontrolling Interest</b>	<b>Total</b>
<a href="#">Balance at Dec. 31, 2018</a>		\$ 78			\$ 679,259	\$ (5,675,391)	\$ 1,581,585	\$ (3,414,469)
<a href="#">Balance, shares at Dec. 31, 2018</a>		775,000						
<a href="#">Recapitalization</a>	\$ 39			\$ 175	3,889,219		(1,591,221)	2,298,212
<a href="#">Recapitalization, shares</a>	389,036			1,747,879				
<a href="#">Stock based compensation</a>							86,705	86,705
<a href="#">Adjustment of redemption value of preferred stock</a>							23,852	23,852
<a href="#">Beneficial conversion feature of preferred stock dividends</a>							70,205	70,205
<a href="#">Preferred stock deemed dividend</a>							(70,205)	(70,205)
<a href="#">Accrued preferred stock dividends</a>							(70,205)	(70,205)
<a href="#">Series F Preferred stock issued for assets</a>			\$ 20		8,599,980			8,600,000
<a href="#">Series F Preferred stock issued for assets, shares</a>			200,000					
<a href="#">Sale of Series D Preferred stock units, net of offering costs</a>	\$ 3				539,994			539,997
<a href="#">Sale of Series D Preferred stock units, net of offering costs, shares</a>	31,625							
<a href="#">Notes and accrued interest cancelled pursuant to merger</a>					706,501			706,501
<a href="#">Reclassification of warrant derivative to liabilities related to Series D unit sales</a>					(691,780)			(691,780)
<a href="#">Net loss</a>						(351,606)	(30,716)	(382,322)
<a href="#">Balance at Mar. 31, 2019</a>	\$ 42	\$ 78	\$ 20	\$ 175	13,723,173	(6,026,997)		7,696,491
<a href="#">Balance, Shares at Mar. 31, 2019</a>	420,661	775,000	200,000	1,747,879				
<a href="#">Balance at Dec. 31, 2018</a>		\$ 78			679,259	(5,675,391)	1,581,585	(3,414,469)
<a href="#">Balance, shares at Dec. 31, 2018</a>		775,000						
<a href="#">Net loss</a>								(2,662,311)
<a href="#">Balance at Jun. 30, 2019</a>	\$ 46	\$ 78	\$ 20	\$ 231	15,128,069	(8,306,986)		6,821,458
<a href="#">Balance, Shares at Jun. 30, 2019</a>	459,386	775,000	200,000	2,304,972				
<a href="#">Balance at Mar. 31, 2019</a>	\$ 42	\$ 78	\$ 20	\$ 175	13,723,173	(6,026,997)		7,696,491
<a href="#">Balance, shares at Mar. 31, 2019</a>	420,661	775,000	200,000	1,747,879				
<a href="#">Stock based compensation</a>					728,822			728,822

<a href="#">Sale of Series D Preferred stock units, net of offering costs</a>	\$ 4				794,996		795,000
<a href="#">Sale of Series D Preferred stock units, net of offering costs, shares</a>	43,725						
<a href="#">Issuance of common shares upon conversion of Series D preferred stock</a>				\$ 6	(6)		
<a href="#">Issuance of common shares upon conversion of Series D preferred stock, shares</a>	(5,000)				62,500		
<a href="#">Issuance of common shares for deferred compensation</a>				50	(50)		
<a href="#">Issuance of common shares for deferred compensation, shares</a>					494,593		
<a href="#">Accrued salary forgiven pursuant to merger</a>					187,500		187,500
<a href="#">Stockholder shares transferred as compensation expense</a>					752,500		752,500
<a href="#">Reclassification of warrant derivative to liabilities related to Series D unit sales</a>					(1,058,866)		(1,058,866)
<a href="#">Net loss</a>						(2,279,989)	(2,279,989)
<a href="#">Balance at Jun. 30, 2019</a>	\$ 46	\$ 78	\$ 20	\$ 231	15,128,069	(8,306,986)	6,821,458
<a href="#">Balance, Shares at Jun. 30, 2019</a>	459,386	775,000	200,000	2,304,972			
<a href="#">Balance at Dec. 31, 2019</a>	\$ 46	\$ 74	\$ 14	\$ 362	18,203,048	(17,488,188)	715,356
<a href="#">Balance, shares at Dec. 31, 2019</a>	454,546	734,986	139,768	3,619,658			
<a href="#">Stock based compensation</a>					870,722		870,722
<a href="#">Series D Preferred stock issued for accrued penalties</a>	\$ 11				1,929,505		1,929,516
<a href="#">Series D Preferred stock issued for accrued penalties, shares</a>	106,134						
<a href="#">Issuance of common shares upon conversion of Series D preferred stock</a>	\$ (1)			\$ 16	(15)		
<a href="#">Issuance of common shares upon conversion of Series D preferred stock, shares</a>	(12,900)				161,250		
<a href="#">Issuance of common shares upon conversion of Series E preferred stock</a>		\$ (3,141)		\$ 4	(4)		
<a href="#">Issuance of common shares upon conversion of Series E preferred stock, shares</a>					39,260		
<a href="#">Issuance of common shares upon conversion of Series F preferred stock</a>			\$ (6)	\$ 80			
<a href="#">Issuance of common shares upon conversion of Series F preferred stock, shares</a>			(64,272)	803,414			

<u>Net loss</u>						(2,482,605)	(2,482,605)
<u>Balance at Mar. 31, 2020</u>	\$ 56	\$ 74	\$ 8	\$ 462	21,003,182	(19,970,793)	1,032,989
<u>Balance, Shares at Mar. 31, 2020</u>	547,780	731,845	75,496	4,623,582			
<u>Balance at Dec. 31, 2019</u>	\$ 46	\$ 74	\$ 14	\$ 362	18,203,048	(17,488,188)	715,356
<u>Balance, shares at Dec. 31, 2019</u>	454,546	734,986	139,768	3,619,658			
<u>Net loss</u>							(10,423,820)
<u>Balance at Jun. 30, 2020</u>	\$ 55	\$ 74	\$ 7	\$ 501	21,787,410	(27,912,008)	(6,123,961)
<u>Balance, Shares at Jun. 30, 2020</u>	536,595	731,845	64,382	5,009,508			
<u>Balance at Mar. 31, 2020</u>	\$ 56	\$ 74	\$ 8	\$ 462	21,003,182	(19,970,793)	1,032,989
<u>Balance, shares at Mar. 31, 2020</u>	547,780	731,845	75,496	4,623,582			
<u>Stock based compensation</u>					665,230		665,230
<u>Sale of Series D Preferred stock units, net of offering costs</u>					25,000		25,000
<u>Sale of Series D Preferred stock units, net of offering costs, shares</u>	1,375						
<u>Reclassification of warrant derivative to liabilities related to Series D unit sales</u>					(26,465)		(26,465)
<u>Issuance of shares for services</u>				\$ 9	120,491		120,500
<u>Issuance of shares for services, shares</u>				90,000			
<u>Issuance of common shares upon conversion of Series D preferred stock</u>	\$ (1)			\$ 16	(15)		
<u>Issuance of common shares upon conversion of Series D preferred stock, shares</u>	(12,560)			157,000			
<u>Issuance of common shares upon conversion of Series F preferred stock</u>			\$ (1)	\$ 14	(13)		
<u>Issuance of common shares upon conversion of Series F preferred stock, shares</u>			(11,114)	138,926			
<u>Net loss</u>						(7,941,215)	(7,941,215)
<u>Balance at Jun. 30, 2020</u>	\$ 55	\$ 74	\$ 7	\$ 501	\$ 21,787,410	(27,912,008)	\$ (6,123,961)
<u>Balance, Shares at Jun. 30, 2020</u>	536,595	731,845	64,382	5,009,508			

**Condensed Consolidated  
Statements of Cash Flows  
(Unaudited) - USD (\$)**

**6 Months Ended  
Jun. 30, 2020 Jun. 30, 2019**

**Cash Flows from Operating Activities**

Net loss \$ (10,423,820) \$ (2,662,311)

**Adjustments to reconcile net loss to net cash used in operating activities**

<u>Depreciation and amortization expense</u>	318,923	96
<u>Bad debt expense</u>	12,000	
<u>Equity based compensation expense</u>	1,650,202	1,568,027
<u>Recognized loss on marketable securities</u>	18,740	101,417
<u>Expenses paid through financings</u>	32,500	15,000
<u>Loan principal paid directly through grant</u>	(5,964)	
<u>Amortization of debt discount and debt costs</u>	214,885	32,522
<u>Initial derivative expense</u>	3,340,554	
<u>Change in derivative value due to anti-dilution adjustments</u>	2,642,175	
<u>Change in fair value of derivative liability</u>	904,176	(17,627)

**Changes in operating assets and liabilities:**

<u>(Increase) decrease in accounts receivable</u>	9,849	(420,916)
<u>(Increase) decrease in prepaid expenses and other current assets</u>	269,051	(182,173)
<u>Increase (decrease) in accounts payable and accrued liabilities</u>	(14,641)	991,807
<u>(Increase) in other liabilities</u>	49,554	
<u>Increase (decrease) in deferred revenue</u>	(58,785)	9,959
<u>Net cash used in operating activities</u>	(1,040,601)	(564,199)

**Cash Flows from Investing Activities**

<u>Proceeds from sale of marketable securities</u>	17,009	
<u>Cash paid for equipment</u>		(3,463)
<u>Cash paid for software development</u>		(11,500)
<u>Net cash provided by (used in) investing activities</u>	17,009	(14,963)

**Cash Flows from Financing Activities**

<u>Proceeds from notes</u>	398,545	45,005
<u>Proceeds from convertible notes</u>	2,226,000	
<u>Payments of notes</u>	(7,396)	(66,216)
<u>Advances on receivables</u>	180,778	
<u>Repayments of advances on receivables</u>	(112,622)	
<u>Repayments of liability on sale of future revenues</u>	(261,866)	
<u>Deposit on purchase of preferred stock</u>		500,000
<u>Proceeds from sale of preferred stock</u>	25,000	979,997
<u>Net cash provided by financing activities</u>	2,448,439	1,458,786
<u>Net increase in cash</u>	1,424,847	879,624
<u>Cash, beginning of period</u>	306,252	14,152
<u>Cash, end of period</u>	1,731,099	893,776

**Supplemental disclosures of cash flow information:**

<u>Cash paid during the period for interest</u>	86,438	24,245
---	--------	--------



Cash paid during the period for income taxes

**Supplemental schedule of non-cash investing and financing activities:**

<u>Original issue discount deducted from convertible note proceeds</u>	328,125	
<u>Debt costs deducted from convertible note proceeds</u>	366,500	
<u>Preferred stock issued for accrued penalties</u>	1,929,516	
<u>Preferred stock issued for asset acquisition</u>		8,600,000
<u>Non-cash adjustments to Redeemable Preferred Stock of subsidiary</u>		2,059,764
<u>Notes payable and accrued interest exchanged for preferred stock</u>		116,380
<u>Accounts payable paid through proceeds of preferred stock</u>		100,000
<u>Accrued compensation paid with common stock</u>		56,250
<u>Value of warrant issued with note</u>		42,000
<u>Accounts payable paid through proceeds of note</u>		4,995
<u>Warrant derivative liability at inception</u>	5,625,519	1,750,646
<u>Accrued compensation forgiven and credited to contributed capital</u>		187,500
<u>Marketable securities received as payment for Series D preferred stock</u>		240,000
<u>Notes and accrued interest forgiven</u>		\$ 706,502

**Organization and Summary  
of Significant Accounting  
Policies**

**6 Months Ended**

**Jun. 30, 2020**

**Organization, Consolidation  
and Presentation of  
Financial Statements  
[Abstract]**

**ORGANIZATION AND  
SUMMARY OF  
SIGNIFICANT  
ACCOUNTING POLICIES**

**NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

**General**

Recruiter.com Group, Inc., a Nevada corporation ("RGI"), is a holding company based in Houston, Texas. The Company has four subsidiaries, Recruiter.com, Inc., Recruiter.com Recruiting Solutions LLC ("Recruiting Solutions"), Recruiter.com Consulting, LLC and VocaWorks, Inc. ("VocaWorks"). RGI and its subsidiaries as a consolidated group is hereinafter referred to as the "Company." The Company operates in Connecticut, Texas, and New York.

**Reincorporation**

On May 13, 2020, the Company effected a reincorporation from the State of Delaware to the State of Nevada. Following the approval by the Company's stockholders at a special meeting held on May 8, 2020, Recruiter.com Group, Inc., a Delaware corporation ("Recruiter.com Delaware"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with Recruiter.com Group, Inc., a Nevada corporation and a wholly owned subsidiary of Recruiter.com Delaware ("Recruiter.com Nevada"), pursuant to which Recruiter.com Delaware merged with and into Recruiter.com Nevada, with Recruiter.com Nevada continuing as the surviving entity. Simultaneously with the reincorporation, the number of shares of common stock the Company is authorized to issue was increased from 31,250,000 shares to 250,000,000 shares.

The reincorporation did not result in any change in the corporate name, business, management, fiscal year, accounting, location of the principal executive office, or assets or liabilities of the Company.

**Asset Purchase**

Effective March 31, 2019, RGI acquired certain assets and assumed certain liabilities under an asset purchase agreement, dated March 31, 2019, among RGI, Genesys Talent LLC, a Texas limited liability company ("Genesys"), and Recruiting Solutions, a wholly owned subsidiary of the Company (the "Asset Purchase"). As consideration in the Asset Purchase the Company issued a total of 200,000 shares of its Series F Preferred Stock convertible into 2,500,000 shares of the Company's common stock. The acquired assets and liabilities include certain accounts receivable, accounts payable, deferred revenue, sales and client relationships, contracts, intellectual property, partnership and vendor agreements and certain other assets. The Company is utilizing these assets in its employment staffing business operated through Recruiting Solutions. This transaction was treated as a business combination (see Note 13).

**Principles of Consolidation and Basis of Presentation**

The unaudited condensed consolidated financial statements include the accounts of RGI and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

The accompanying condensed consolidated financial statements are unaudited. The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and pursuant to the rules and regulations of

the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. Accordingly, these interim unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto of RGI for the years ended December 31, 2019 and 2018, filed with the SEC on May 8, 2020. The December 31, 2019 balance sheet is derived from those statements.

In the opinion of management, these unaudited interim financial statements as of and for the three and six months ended June 30, 2020 and 2019 include all adjustments (consisting of normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows of the Company for the periods presented). The results for the three and six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020 or for any future period. All references to June 30, 2020 and 2019 in these footnotes are unaudited.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results and outcomes may differ from management's estimates and assumptions. Included in these estimates are assumptions used to estimate collection of accounts receivable, fair value of available for sale securities, fair value of derivative liabilities, fair value of securities issued for acquisitions, fair value of assets acquired and liabilities assumed in the business combination, fair value of intangible assets and goodwill, valuation of initial right of use assets and corresponding lease liabilities, deferred income tax asset valuation allowances, and valuation of stock based compensation expense.

### **Cash and Cash Equivalents**

The Company considers all short-term highly liquid investments with a remaining maturity at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has not experienced any losses related to these balances as of June 30, 2020. Uninsured balances were approximately \$1,136,000 and \$0 as of June 30, 2020 and December 31, 2019. The Company had no cash equivalents during or at the end of either period.

### **Revenue Recognition**

The Company recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). Revenues are recognized when control is transferred to customers in amounts that reflect the consideration the Company expects to be entitled to receive in exchange for those goods. Revenue recognition is evaluated through the following five steps: (i) identification of the contract, or contracts, with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Revenues are predominantly derived from the following activities:

- **Consulting and Staffing.** Consists of consulting and staffing personnel services provided to customers to satisfy demand for long term consulting and temporary employee needs.

- **Recruiting Solutions.** Consists of placement of specialized personnel at employers
  - generating success-based fees for candidate referrals for direct-hire, facilitated by our Job Market software platform and artificial intelligence matching technologies.
- **Career Solutions.** Consists of (i) Resume Distribution, whereby the Company sends out candidate resumes to its network of independent recruiters and (ii) Recruiter Certification Program, whereby users access the Company's recruitment training content through its online learning management system.
- **Marketing Solutions.** Consists of web portal monetization, lead generation, and digital publication advertising structured for specialized B2B software companies to access niche industry audience, primarily of recruitment and HR audience.

We have a sales team and sales partnerships with direct employers as well as Vendor Management System companies and Managed Service companies that help create sales channels for clients that buy staffing, direct hire, and sourcing services. Once we have secured the relationship and contract with the interested Enterprise customer the delivery and product teams will provide the service to fulfil any or all of the revenue segments.

Revenues as presented on the statement of operations represent services rendered to customers less sales adjustments and allowances.

Consulting and Staffing Services revenues represent services rendered to customers less sales adjustments and allowances. Reimbursements, including those related to travel and out-of-pocket expenses, are also included in the net service revenues and equivalent amounts of reimbursable expenses are included in costs of revenue. We record substantially all revenue on a gross basis as a principal versus on a net basis as an agent in the presentation of this line of revenues and expenses. We have concluded that gross reporting is appropriate because we have the task of identifying and hiring qualified employees, and our discretion to select the employees and establish their compensation and duties causes us to bear the risk for services that are not fully paid for by customers. Consulting and staffing revenues are recognized when the services are rendered by the temporary employees. Payroll and related taxes of certain employees that are placed on temporary assignment are outsourced to third party payors or related party payors. The payors pay all related costs of employment for these employees, including workers' compensation insurance, state and federal unemployment taxes, social security and certain fringe benefits. We assume the risk of acceptability of the employees to customers. Payments for consulting and staffing services are typically due within 90 days of completion of services.

Direct hire recruitment placement revenues are recognized on a gross basis when the guarantee period specified in the customer contract expires. No fees for direct hire placement services are charged to employment candidates. Any payments received prior to the expiration of the guarantee period are recorded as a deferred revenue liability. Payments for recruitment services are typically due within 90 days of completion of services.

Career services revenues are recognized on a gross basis upon distribution of resumes or completion of training courses, which is the point at which the performance obligations are satisfied. Payments for career services are typically due upon distribution or completion of services.

Marketing and publishing services revenues are recognized on a gross basis when the advertising is placed and displayed or when lead generation activities and online publications are completed, which is the point at which the performance obligations are satisfied. Payments for marketing and publishing are typically due within 30 days of completion of services.

Deferred revenue results from transactions in which the Company has been paid for services by customers, but for which all revenue recognition criteria have not yet been met. Once all revenue recognition criteria have been met, the deferred revenues are recognized.

Sales tax collected is recorded on a net basis and is excluded from revenue.

### Contract Assets

The Company does not have any contract assets such as work-in-process. All trade receivables on the Company's balance sheet are from contracts with customers.

### Contract Costs

Costs incurred to obtain a contract are capitalized unless they are short term in nature. As a practical matter, costs to obtain a contract that are short term in nature are expensed as incurred. The Company does not have any contract costs capitalized as of June 30, 2020 or December 31, 2019.

### Contract Liabilities - Deferred Revenue

The Company's contract liabilities consist of advance customer payments and deferred revenue. Deferred revenue results from transactions in which the Company has been paid for services by customers, but for which all revenue recognition criteria have not yet been met. Once all revenue recognition criteria have been met, the deferred revenues are recognized.

For each of the identified periods, revenues can be categorized into the following:

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Consulting and staffing services	\$3,490,056	\$1,605,894
Permanent placement fees	290,767	158,381
License and other	231,831	130,365
Career services	79,342	72,765
Marketing and publishing	74,541	168,378
Total revenue	<u>\$4,166,537</u>	<u>\$2,135,783</u>

	<b>Three Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Consulting and staffing services	\$1,576,662	\$1,605,894
Permanent placement fees	153,140	118,103
License and other	46,856	130,365
Career services	42,408	33,483
Marketing and publishing	34,348	84,636
Total revenue	<u>\$1,853,414</u>	<u>\$1,972,481</u>

As of June 30, 2020 and December 31, 2019, deferred revenue amounted to \$86,689 and \$145,474 respectively. As of June 30, 2020, deferred revenues associated with placement services are \$83,189 and we expect the recognition of such services to be \$63,001 within the three months ended September 30, 2020 and \$20,188 thereafter. As of June 30, 2020, deferred revenues associated with marketing services are \$3,500 and we expect the recognition of such services to be within the three months ended September 30, 2020.

Revenue from international sources was approximately 2% and 5% for the six months ended June 30, 2020 and 2019, respectively.

### **Costs of Revenue**

Costs of revenues consist of employee costs, third party staffing costs and other fees, outsourced recruiter fees and net margin revenue share.

## **Accounts Receivable**

Credit is extended to customers based on an evaluation of their financial condition and other factors. Management periodically assesses the Company's accounts receivable and, if necessary, establishes an allowance for estimated uncollectible amounts. Accounts determined to be uncollectible are charged to operations when that determination is made. The Company usually does not require collateral. We have recorded an allowance for doubtful accounts of \$33,000 and \$21,000 as of June 30, 2020 and December 31, 2019, respectively. Bad debt expense was \$750 and \$0 for the three month periods ended June 30, 2020 and 2019, respectively and \$12,000 and \$0 for six month periods ended June 30, 2020 and 2019, respectively.

## **Concentration of Credit Risk and Significant Customers and Vendors**

As of June 30, 2020, two customers accounted for more than 10% of the accounts receivable balance, at 42% and 13%, for a total of 55%. As of December 31, 2019, three customers accounted for more than 10% of the accounts receivable balance, at 19%, 15% and 13%, for a total of 47%.

For the six months ended June 30, 2020 three customers accounted for 10% or more of total revenue, at 35%, 15% and 14%, for a total of 64%. For the six months ended June 30, 2019 three customers accounted for 10% or more of total revenue, at 25%, 18% and 10%, for a total of 53%.

We use a related party firm for software development and maintenance related to our website and the platform underlying our operations. One of our officers and principal shareholders is an employee of this firm but exerts control over this firm (see Note 12).

We are a party to that certain license agreement with a related party firm (see Note 12). Pursuant to the license agreement the firm has granted us an exclusive license to use certain candidate matching software and render certain related services to us. If this relationship was terminated or if the firm was to cease doing business or cease to support the applications we currently utilize, we may be forced to expend significant time and resources to replace the licensed software. Further, the necessary replacements may not be available on a timely basis on favorable terms, or at all. If we were to lose the ability to use this software our business and operating results could be materially and adversely affected.

## **Advertising and Marketing Costs**

The Company expenses all advertising and marketing costs as incurred. Advertising and marketing costs were \$15,068 and \$2,969 for the three months ended June 30, 2020 and 2019, respectively. Advertising and marketing costs were \$40,311 and \$2,969 for the six months ended June 30, 2020 and 2019, respectively.

## **Fair Value of Financial Instruments and Fair Value Measurements**

The Company measures and discloses the fair value of assets and liabilities required to be carried at fair value in accordance with ASC 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value, establishes a hierarchical framework for measuring fair value, and enhances fair value measurement disclosure.

ASC 825 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825 establishes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which we have access at the measurement date.

Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Company's investment in available for sale securities and warrant derivative liabilities are measured at fair value. The securities are measured based on current trading prices using Level 1 fair value inputs. The Company's derivative instruments are valued using Level 3 fair value inputs. The Company does not have any other financial instruments which require re-measurement to fair value. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and loans payable represent fair value based upon their short-term nature.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The table below summarizes the fair values of our financial assets and liabilities as of June 30, 2020:

	Fair Value at June 30, 2020	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Available for sale marketable securities (Note 3)	\$ 9,017	\$ 9,017	\$ -	\$ -
Warrant derivative liability (Note 10)	\$9,783,912	\$ -	\$ -	\$9,783,912

The reconciliation of the derivative liability measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows for the six months ended June 30, 2020:

Balance at December 31, 2019	\$ 612,042
Additions to derivative instruments	5,625,519
Anti-dilution adjustments to derivative instruments	2,642,175
Loss on change in fair value of derivative liability	904,176
Balance at June 30, 2020	\$9,783,912

## Goodwill

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*: The objective of this guidance is to simplify an entity's required test for impairment of goodwill by eliminating Step 2 from the goodwill impairment test by permitting the entity to complete a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Under this Update, an entity should perform its annual or quarterly goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount and record an impairment charge for the excess of the carrying amount over the reporting unit's fair value. The loss recognized should not exceed the total amount of goodwill allocated to the reporting unit and the entity must consider the income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. This guidance is effective for a public business entity that is an SEC filer for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company early adopted ASU 2017-04 as of January 1, 2019.



Goodwill is comprised of the purchase price of business combinations in excess of the fair value assigned at acquisition to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized. The Company tests goodwill for impairment for its reporting units on an annual basis, or when events occur or circumstances indicate the fair value of a reporting unit is below its carrying value.

The Company performs its annual goodwill impairment assessment on December 31st of each year, or earlier if facts and circumstances indicate that an impairment may have occurred.

When evaluating the potential impairment of goodwill, management first assesses a range of qualitative factors, including but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for the Company's products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel, and the overall financial performance for each of the Company's reporting units. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then proceed to the impairment testing methodology primarily using the income approach (discounted cash flow method).

We compare the carrying value of the reporting unit, including goodwill, with its fair value, as determined by its estimated discounted cash flows. If the carrying value of a reporting unit exceeds its fair value, then the amount of impairment to be recognized is recognized as the amount by which the carrying amount exceeds the fair value.

When required, we arrive at our estimates of fair value using a discounted cash flow methodology which includes estimates of future cash flows to be generated by specifically identified assets, as well as selecting a discount rate to measure the present value of those anticipated cash flows. Estimating future cash flows requires significant judgment and includes making assumptions about projected growth rates, industry-specific factors, working capital requirements, weighted average cost of capital, and current and anticipated operating conditions. The use of different assumptions or estimates for future cash flows could produce different results.

### **Stock-Based Compensation**

We account for our stock-based compensation under ASC 718 "Compensation – Stock Compensation" using the fair value based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the shorter of the service period or the vesting period of the stock-based compensation. This guidance establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option pricing model. Determining the fair value of stock-based compensation at the grant date under this model requires judgment, including estimating volatility, employee stock option exercise behaviors and forfeiture rates. The assumptions used in calculating the fair value of stock-based compensation represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgment.

### **Derivative Instruments**

The Company's derivative financial instruments consist of the warrants issued with the sale of our convertible notes in 2020 (See Notes 8 and 10) and warrants issued with the sale of our Series D Preferred Stock in 2019 and 2020 (see Notes 9 and 10). The accounting treatment of derivative financial instruments requires that we record the derivatives at their fair values as of the inception date of the debt agreements and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense at each balance sheet date. If the fair value of the derivatives was higher at the subsequent balance sheet date, we recorded a non-operating, non-cash charge. If the fair value of the derivatives was lower at the subsequent balance sheet date, we recorded non-operating, non-cash income.



## Product Development

Product development costs are included in selling, general and administrative expenses and consist of support, maintenance and upgrades of our website and IT platform and are charged to operations as incurred.

## Earnings (Loss) Per Share

The Company follows ASC 260 "Earnings Per Share" for calculating the basic and diluted earnings (or loss) per share. Basic earnings (or loss) per share are computed by dividing earnings (or loss) available to common shareholders by the weighted-average number of common shares outstanding. Diluted earnings (or loss) per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the potential shares of common stock had been issued and if the additional shares were dilutive. Common stock equivalents are excluded from the diluted earnings (or loss) per share computation if their effect is anti-dilutive. Common stock equivalents in amounts of 24,381,679 and 19,436,262 were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2020 and 2019, respectively, because their effects would have been anti-dilutive.

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Options	1,355,758	540,905
Stock awards	866,500	494,593
Warrants	3,653,443	470,939
Convertible notes	1,845,703	-
Convertible preferred stock	16,660,275	17,929,825
	<u>24,381,679</u>	<u>19,436,262</u>

## Business Segments

The Company uses the "management approach" to identify its reportable segments. The management approach designates the internal organization used by management for making operating decisions and assessing performance as the basis for identifying the Company's reportable segments. Using the management approach, the Company determined that it has one operating segment.

## Recently Issued Accounting Pronouncements

There have not been any recent changes in accounting pronouncements and ASU issued by the FASB that are of significance or potential significance to the Company except as disclosed below.

In December 2019, the FASB issued ASU 2019-12, "*Simplifying the Accounting for Income Taxes*." This guidance, among other provisions, eliminates certain exceptions to existing guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This guidance also requires an entity to reflect the effect of an enacted change in tax laws or rates in its effective income tax rate in the first interim period that includes the enactment date of the new legislation, aligning the timing of recognition of the effects from enacted tax law changes on the effective income tax rate with the effects on deferred income tax assets and liabilities. Under existing guidance, an entity recognizes the effects of the enacted tax law change on the effective income tax rate in the period that includes the effective date of the tax law. ASU 2019-12 is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of this guidance.

## Going Concern

**6 Months Ended  
Jun. 30, 2020**

[Going Concern \[Abstract\]](#)  
[GOING CONCERN](#)

### NOTE 2 — GOING CONCERN

These unaudited condensed consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company's management has evaluated whether there is substantial doubt about the Company's ability to continue as a going concern and has determined that substantial doubt existed as of the date of the end of the period covered by this report. This determination was based on the following factors: (i) the Company has a working capital deficit as of June 30, 2020 and the Company's available cash as of the date of this filing will not be sufficient to fund its anticipated level of operations for the next 12 months; (ii) the Company will require additional financing for the fiscal year ending December 31, 2020 to continue at its expected level of operations; and (iii) if the Company fails to obtain the needed capital, it will be forced to delay, scale back, or eliminate some or all of its development activities or perhaps cease operations. In the opinion of management, these factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern as of the date of the end of the period covered by this report and for one year from the issuance of these unaudited condensed consolidated financial statements.

The Company completed rounds of funding during 2019. Additionally, during 2020 the Company raised approximately \$3 million in gross proceeds through the issuance of convertible debentures and warrants as more fully disclosed in Note 8. However, there is no assurance that the Company will be successful in any other capital-raising efforts that it may undertake to fund operations during the next 12 months. The Company anticipates that it will issue equity and/or debt securities as a source of liquidity, until it begins to generate positive cash flow to support its operations. Any future sales of securities to finance operations will dilute existing shareholders' ownership. The Company cannot guarantee when or if it will generate positive cash flow.

In March 2020, the outbreak of COVID-19 (coronavirus) caused by a novel strain of the coronavirus was recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States, including in each of the areas in which the Company operates. While to date the Company has not been required to stop operating, management is evaluating its use of its office space, virtual meetings and the like. We have reduced certain billing rates to respond to the current economic climate. Additionally, while we have experienced, and could continue to experience, a loss of clients as the result of the pandemic, we expect that the impact of such attrition would be mitigated by the addition of new clients resulting from our continued efforts to adjust the Company's operations to address changes in the recruitment industry. The extent to which the COVID-19 pandemic will impact our operations, ability to obtain financing or future financial results is uncertain at this time. Management has spent time evaluating shifting market demands and adjusting the Company's focus. Due to the effects of COVID-19, the Company took steps to streamline certain expenses, such as temporarily cutting certain executive compensation packages by approximately 20%. Management also worked to reduce unnecessary marketing expenditures and worked to improve staff and human capital expenditures, while maintaining overall workforce levels. The Company expects to resume certain expenses, such as compensation, later in 2020 if conditions warrant. The Company expects but cannot guarantee that demand for its recruiting solutions will improve in the second half of 2020, as certain clients re-open or accelerate their hiring initiatives, and new clients utilize our services. The Company does not expect reductions made in the second quarter of 2020 due to COVID-19 will inhibit its ability to meet client demand. Overall, management is focused on effectively positioning the Company for a rebound in hiring which we expect in the second half of 2020. Ultimately, the recovery may be delayed and the economic conditions may worsen. The Company continues to closely monitor the confidence of its recruiter users and customers, and their respective job requirement load through offline discussions and the Company's Recruiter Index survey.

The accompanying unaudited condensed consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

**Investment in Available for  
Sale Marketable Securities**

**6 Months Ended  
Jun. 30, 2020**

**Organization, Consolidation  
and Presentation of**

**Financial Statements**

**[Abstract]**

**INVESTMENT IN  
AVAILABLE FOR SALE  
MARKETABLE  
SECURITIES**

**NOTE 3 — INVESTMENT IN AVAILABLE FOR SALE MARKETABLE SECURITIES**

The Company's investment in marketable equity securities is being held for an indefinite period and thus have been classified as available for sale. Cost basis of securities held as of June 30, 2020 and December 31, 2019 was \$629,720 and \$708,541, respectively, and accumulated unrealized losses were \$620,703 and \$663,775 as of June 30, 2020 and December 31, 2019, respectively. The value of available for sale marketable securities was \$9,017 as of June 30, 2020, based on 261,333 shares of common stock held in two entities with an average per share market price of approximately \$0.04.

Net recognized gains (losses) on equity investments were as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net realized gains (losses) on investment sold	\$ (401)	\$ -	\$ (2,543)	\$ -
Net unrealized gains (losses) on investments still held	447	(92,500)	(16,197)	(101,417)
<b>Total</b>	<b>\$ 46</b>	<b>\$ (92,500)</b>	<b>\$ (18,740)</b>	<b>\$ (101,417)</b>

The reconciliation of the investment in marketable securities is as follows for the six months ended June 30, 2020 and 2019:

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Balance – December 31	\$ 44,766	\$ 33,917
Additions	-	240,000
Proceeds on sales of securities	(17,009)	-
Recognized losses	(18,740)	(101,417)
<b>Balance – June 30</b>	<b>\$ 9,017</b>	<b>\$ 172,500</b>

## Intangible Assets

**6 Months Ended  
Jun. 30, 2020**

[Goodwill and Intangible  
Assets Disclosure \[Abstract\]](#)

[INTANGIBLE ASSETS](#)

### NOTE 4 — INTANGIBLE ASSETS

Amortization expense of intangible assets was \$159,173 and \$318,346 for the three and six months ended June 30, 2020, respectively. Future amortization of intangible assets is expected to be approximately \$318,000 for 2020, \$637,000 for 2021 and \$159,000 for 2022.

**Liability for Sale of Future  
Revenues**

**6 Months Ended  
Jun. 30, 2020**

[Liability for Future Policy  
Benefit, after Reinsurance](#)

[\[Abstract\]](#)

[LIABILITY FOR SALE OF  
FUTURE REVENUES](#)

**NOTE 5 — LIABILITY FOR SALE OF FUTURE REVENUES**

At June 30, 2020 we are party to two agreements related to the sale of future revenues. Both agreements are with the same party, have substantially the same terms, and were entered into in December 2019. Discounts related to the agreements will be amortized to expense over the term of the agreements. During the three and six months ended June 30, 2020, we amortized \$33,833 and \$65,809 of discount, respectively, to interest expense. Unamortized discount is \$69,832 at June 30, 2020.

The Company has granted a continuing security interest in the following, to the extent and in the amount of the purchased receivables: all assets including the following property that the Company now owns or shall acquire or create immediately upon the acquisition or creation thereof: (i) any and all amounts owing to the Company now or in the future from any customers; and (ii) all other tangible and intangible personal property of every kind and nature.

**Receivables Financing  
Agreement**

**6 Months Ended  
Jun. 30, 2020**

[Receivables \[Abstract\]](#)

[RECEIVABLES FINANCING AGREEMENT](#) **NOTE 6 — RECEIVABLES FINANCING AGREEMENT**

In January 2020 we entered into an agreement with a lender that provides advances against the collection of accounts receivable. Advances made under the agreement are generally repayable in 45 days from the date of the advance and bear interest at 1.5% per month. Advances received under the agreement aggregated \$180,778. In April 2020, the lender informed the Company that it would not be able to advance additional funds pursuant to this arrangement due to the impact of the COVID-19 pandemic. We repaid \$112,622 during the three months ended June 30, 2020 and remaining advances payable were \$68,156 at June 30, 2020.

## Loans Payable

6 Months Ended  
Jun. 30, 2020

[Loans Payable \[Abstract\]](#)  
[LOANS PAYABLE](#)

### NOTE 7 — LOANS PAYABLE

#### Lines of Credit

At June 30, 2020 and December 31, 2019 we are party to two lines of credit with outstanding balances of \$0. Advances under each of these lines of credit mature within 12 months of the advances. Availability under the two lines was \$91,300 at June 30, 2020; however, due to COVID-19 uncertainty (see Note 2), the availability under both lines has been suspended in 2020.

#### Term Loans

We have outstanding balances of \$90,440 and \$103,800 pursuant to two term loans as of June 30, 2020 and December 31, 2019, respectively, which mature in 2023. The loans have variable interest rates, with current rates at 6.0% and 7.76%, respectively. Current monthly payments under the loans are \$1,691 and \$1,008, respectively.

One of the term loans is a Small Business Administration ("SBA") loan. As a result of the COVID-19 uncertainty, the SBA is paying the loan for a period of six months. The SBA made payments on our behalf of \$7,262 during the three months ended June 30, 2020, which have been recorded as grant income in the financial statements. These payments were applied \$5,964 to principal and \$1,298 to interest expense.

The status of these loans as of June 30, 2020 and December 31, 2019 are summarized as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Term loans	\$ 90,440	\$ 103,800
Less current portion	(27,335)	(25,934)
Non-current portion	<u>\$ 63,105</u>	<u>\$ 77,866</u>

Future principal payments under the term notes are as follows:

<b>Year Ending December 31,</b>	
2020	\$ 13,386
2021	28,195
2022	30,133
2023	18,726
Total minimum principal payments	<u>\$ 90,440</u>

Our Chief Executive Officer, who is also a shareholder, has personally guaranteed the loans described above.

#### Paycheck Protection Program Loan

During April and May 2020 the Company, through its four subsidiaries, received an aggregate of \$398,545 in loans borrowed from a bank pursuant to the Paycheck Protection Program under the CARES Act guaranteed by the SBA, which we expect to be forgiven in part or in full, subject to our compliance with the conditions of the Paycheck Protection Program. If not forgiven, the terms on the note provide for interest at 1% per year and the note mature in 24 months, with 18 monthly payments beginning after the initial 6 month deferral period for payments. Since we expect the loans to be forgiven, we have classified them as long term at June 30, 2020.



## Convertible Notes Payable

**6 Months Ended  
Jun. 30, 2020**

### Notes to Financial Statements

#### CONVERTIBLE NOTES PAYABLE

#### **NOTE 8 — CONVERTIBLE NOTES PAYABLE**

In May and June 2020, the Company entered into a Securities Purchase Agreement, effective May 28, 2020 (the "Purchase Agreement") with several accredited investors (the "Purchasers"). Four of the investors had previously invested in the Company's preferred stock. Pursuant to the Purchase Agreement, the Company sold to the Purchasers a total of (i) \$2,953,125 in the aggregate principal amount of 12.5% Original Issue Discount Senior Subordinated Secured Convertible Debentures (the "Debentures"), and (ii) 1,845,703 common stock purchase warrants (the "Warrants"), which represents 100% warrant coverage. The Company received a total of \$2,226,000 in net proceeds from the offering, after deducting the 12.5% original issue discount of \$328,125, offering expenses and commissions, including the placement agent's commission and fees of \$295,000, reimbursement of the placement agent's and lead investor's legal fees and the Company's legal fees in the aggregate amount of \$100,000 and escrow agent fees of \$4,000. The Company also agreed to issue to the placement agent, as additional compensation, 369,141 common stock purchase warrants exercisable at \$2.00 per share.

The Debentures mature on May 28, 2021, subject to a six-month extension at the Company's option. The Debentures bear interest at 8% per annum payable quarterly, subject to an increase in case of an event of default as provided for therein. The Debentures are convertible into shares of Common Stock at any time following the date of issuance at the Purchasers' option at a conversion price of \$1.60 per share, subject to certain adjustments. The Debentures are subject to mandatory conversion in the event the Company closes an equity offering of at least \$5,000,000 resulting in the listing of the Company's common stock on a national securities exchange. The Debentures rank senior to all existing and future indebtedness of the Company and its subsidiaries, except for approximately \$508,000 of outstanding senior indebtedness. The Company may prepay the Debentures at any time at a premium as provided for therein.

The Warrants are exercisable for three years from May 28, 2020 at an exercise price of \$2.00 per share, subject to certain adjustments.

The Company's obligations under the Purchase Agreement and the Debentures are secured by a first priority lien on all of the assets of the Company and its subsidiaries pursuant to a Security Agreement, effective May 28, 2020 (the "Security Agreement") by and among the Company, its wholly-owned subsidiaries, and the Purchasers, subject to certain existing senior liens. The Company's obligations under the Debentures are guaranteed by the Company's subsidiaries.

The Purchase Agreement contains customary representations, warranties and covenants of the Company, including, among other things and subject to certain exceptions, covenants that restrict the ability of the Company and its subsidiaries, without the prior written consent of the Debenture holders, to incur additional indebtedness, including further advances under a certain pre-existing secured loan, and repay outstanding indebtedness, create or permit liens on assets, repurchase stock, pay dividends or enter into transactions with affiliates. The Debentures contain customary events of default, including, but not limited to, failure to observe covenants under the Debentures, defaults on other specified indebtedness, loss of admission to trading on OTCQB or another applicable trading market, and occurrence of certain change of control events. Upon the occurrence of an event of default, an amount equal to 130% of the principal, accrued but unpaid interest, and other amounts owing under each Debenture will immediately come due and payable at the election of each Purchaser, and all amounts due under the Debentures will bear interest at an increased rate.

Pursuant to the Purchase Agreement, the Purchasers have certain participation rights in future equity offerings by the Company or any of its subsidiaries for a period of 24 months after the closing, subject to customary exceptions. The Debentures and the Warrants also contain certain

price protection provisions providing for adjustment of the number of shares of Common Stock issuable upon conversion of the Debentures and/or exercise of the Warrants and the conversion or exercise price in case of future dilutive offerings.

We have incurred a total of \$1,299,677 of debt costs related to the sale of the Debentures, including commissions, costs and fees of \$366,500. We have also recorded a cost related to the fair value of the placement agent warrants of \$933,177 (see Note 10). The costs are being amortized over the life of the notes. Amortization expense was \$71,664 for the three and six months ended June 30, 2020, respectively. Unamortized debt costs were \$1,228,013 at June 30, 2020.

We have recorded a total of \$1,653,448 of debt discount related to the sale of the Debentures, including original issue discount of \$328,125. We have also recorded a discount related to the fair value of the warrants issued with the debt of \$1,325,323 (see Note 10). The discount is being amortized over the life of the notes. Amortization expense was \$77,412 for the three and six months ended June 30, 2020, respectively. Unamortized debt costs were \$1,576,036 at June 30, 2020.

**Stockholders' Equity  
(Deficit), Temporary Equity  
and Noncontrolling Interests**

**6 Months Ended**

**Jun. 30, 2020**

[Equity \[Abstract\]](#)

[STOCKHOLDERS' EQUITY  
\(DEFICIT\), TEMPORARY  
EQUITY AND  
NONCONTROLLING  
INTERESTS](#)

**NOTE 9 — STOCKHOLDERS' EQUITY (DEFICIT), TEMPORARY EQUITY AND  
NONCONTROLLING INTERESTS**

**Preferred Stock**

The Company is authorized to issue 10,000,000 shares of preferred stock, par value \$0.0001 per share. As of June 30, 2020 and December 31, 2019, the Company had 1,332,822 and 1,329,300 shares of preferred stock issued and outstanding, respectively.

**Series D Convertible Preferred Stock**

During 2020 we have issued to the holders of Series D Preferred Stock an aggregate of 106,134 additional shares of Series D Preferred Stock as consideration for waivers of penalties discussed below.

In February 2020, the Company issued 161,250 shares of its common stock upon conversion of 12,900 shares of its Series D Preferred Stock.

On June 9, 2020, the Company sold 1,375 Series D preferred stock units (the "Units") at a purchase price of \$18.1818 per Unit, taking into account a 10% discount, each Unit consisting of one share of Series D Preferred Stock and a warrant to purchase 6.25 shares of common stock, subject to adjustment as provided for therein. The Series D Preferred Stock sold in the financing converts into a minimum of 17,188 shares of common stock. The Company received gross proceeds of \$25,000 from the sale of the Units. The 8,594 warrants are exercisable for five years from the issuance date at an exercise price of \$4.80 per share, subject to adjustment as provided for therein.

In June 2020, the Company issued 157,000 shares of its common stock upon conversion of 12,560 shares of its Series D Preferred Stock.

**Series E Convertible Preferred Stock**

In January 2020, the Company issued 39,260 shares of its common stock upon conversion of 3,141 shares of Series E Preferred Stock.

**Series F Convertible Preferred Stock**

In January and February 2020, the Company issued 803,414 shares of its common stock upon conversion of 64,272 shares of Series F Preferred Stock.

In April 2020, the Company issued 138,926 shares of its common stock upon conversion of 11,114 shares of Series F Preferred Stock.

**Preferred Stock Penalties**

On March 31, 2019, we entered into certain agreements with investors pursuant to which we issued convertible preferred stock and warrants, as described above. Each of the series of preferred stock and warrants required us to reserve shares of common stock in the amount equal to two times the common stock issuable upon conversion of the preferred stock and exercise of the warrants. We did not comply in part due to our attempts to manage the Delaware tax which increases to a maximum of \$200,000 as the authorized capital increases without the simultaneous increase in the number of shares outstanding. In May 2020 following stockholder approval at a special meeting the Company effected a reincorporation from Delaware to Nevada and a simultaneous increase

in our authorized common stock from 31,250,000 shares to 250,000,000 shares, which we expect will be sufficient to meet the reserve requirements. As of December 31, 2019, we estimated that we owed approximately \$6 million in penalties (prior to any waivers of penalties) to holders of preferred stock. Subsequent to December 31, 2019, we have received waivers from a substantial number of the preferred shareholders with respect to these penalties. We have agreed to issue to the holders of Series D Preferred Stock an aggregate of 106,134 additional shares of Series D Preferred Stock (valued at \$1,929,516) as consideration for the waivers. We have accrued this cost at December 31, 2019. Additionally, certain holders of Series E and Series F Preferred Stock have not waived the penalties. We have accrued \$308,893 at December 31, 2019 related to these Series E and Series F Preferred holders. Because of our ongoing liquidity problems, we will be required to cease operations if faced with material payment requests from investors who did not agree to waive the penalties. The total accrued penalty amount of \$2,238,314 was included in accrued expenses on the balance sheet at December 31, 2019. The \$1,929,516 accrual was reclassified to equity during the three months ended March 31, 2020 as a result of our issuance of the 106,134 shares of Series D Preferred Stock. At June 30, 2020, the remaining balance of \$308,798 is included in accrued expense on the balance sheet.

### **Common Stock**

The Company is authorized to issue 250,000,000 shares of common stock, par value \$0.0001 per share. The number of shares of common stock the Company is authorized to issue was increased from 31,250,000 shares to 250,000,000 shares in connection with the reincorporation from Delaware to Nevada in May 2020. As of June 30, 2020 and December 31, 2019 the Company had 5,009,508 and 3,619,658 shares of common stock outstanding, respectively.

On February 1, 2019, the Company granted to Evan Sohn, its Executive Chairman and CEO, 43,423 shares of restricted common stock, which vested on February 1, 2020. We recognized compensation expense of \$12,665 during the six months ended June 30, 2020.

On May 14, 2019, the Company granted to Mr. Sohn 451,170 shares of restricted common stock, which vested on February 1, 2020. We recognized compensation expense of \$318,473 during the six months ended June 30, 2020.

On December 23, 2019 the Company granted to a consultant 312,500 restricted stock units (the "RSUs") pursuant to a consultant agreement. The RSUs vest 63,500 upon grant with the balance vesting monthly in equal installments beginning January 1, 2020 and ending November 1, 2020, subject to the consultants continued service to the Company on each vesting date. The RSU award has been valued at \$343,750 and compensation expense will be recorded over the respective vesting periods. We recognized compensation expense of \$74,999 and \$149,998 during the three and six months ended June 30, 2020, respectively. The shares have not been issued at June 30, 2020. The vested shares will be issued at the earlier of the final vesting period or the termination of services.

Effective January 15, 2020 the Company entered into a consulting agreement. Pursuant to the agreement the Company agreed to issue 60,000 shares of restricted common stock, plus a payment of \$15,000. The shares are fully vested upon issuance and have been valued at \$75,000, based on the quoted market price of our common stock on the grant date. The shares were issued on April 3, 2020. We have recorded compensation expense of \$37,500 and \$68,750 for the share portion of the agreement during the three and six months ended June 30, 2020, respectively, and expense of \$7,500 and \$13,750 for the cash portion during the three months ended June 30, 2020, respectively. Prepaid expense of \$6,250 for the stock portion and \$1,250 for the cash portion was recorded at June 30, 2020.

Effective January 15, 2020 the Company entered into a consulting agreement. Pursuant to the agreement the Company agreed to issue 30,000 shares of restricted common stock, earned monthly over the three month term of the agreement. The shares are fully vested upon issuance and have been valued at \$45,500, based on the quoted market price of our common stock on the vesting dates. The shares were issued on April 3, 2020. We have recorded compensation expense of \$6,500 and \$45,500 during the three and six months ended June 30, 2020, respectively.

In January 2020, the Company issued 39,260 shares of its common stock upon conversion of 3,141 shares of Series E Preferred Stock.

In January and February 2020, the Company issued 803,414 shares of its common stock upon conversion of 64,272 shares of Series F Preferred Stock.

In February 2020, the Company issued 161,250 shares of its common stock upon conversion of 12,900 shares of its Series D Preferred Stock.

In April 2020, the Company issued 138,926 shares of its common stock upon conversion of 11,114 shares of Series F Preferred Stock.

In June 2020, the Company issued 157,000 shares of its common stock upon conversion of 12,560 shares of its Series D Preferred Stock.

On June 18, 2020 the Company awarded to Mr. Sohn 554,000 restricted stock units (the "RSUs") subject to and issuable upon the listing of the Company's common stock on the Nasdaq Capital Market or NYSE American, or any successor of the foregoing (the "Uplisting"). The RSUs will vest over a two-year period from the date of the Uplisting in equal quarterly installments on the last day of each calendar quarter, with the first portion vesting on the last day of the calendar quarter during which the Uplisting takes place, subject to Mr. Sohn serving as an executive officer of the Company on each applicable vesting date, provided that the RSUs shall vest in full immediately upon the termination of Mr. Sohn's employment by the Company without Cause (as defined in the Employment Agreement). The RSU award has been valued at \$1,662,000 and compensation expense will be recorded over the estimated vesting period. We recognized compensation expense of \$30,218 during the three and six months ended June 30, 2020, respectively. The shares have not been issued at June 30, 2020.

## Stock Options and Warrants

**6 Months Ended  
Jun. 30, 2020**

[Share-based Payment  
Arrangement \[Abstract\]](#)  
[STOCK OPTIONS AND  
WARRANTS](#)

### NOTE 10 — STOCK OPTIONS AND WARRANTS

#### Stock Options

In May 2020, the number of shares authorized for issuance under the Company's 2017 Equity Incentive Plan was increased to 1,714,000 shares. In June 2020, the number of shares authorized for issuance under the Company's 2017 Equity Incentive Plan was further increased to 2,770,000 shares.

On May 14, 2020 the Company granted to its current Chief Financial Officer 26,087 options to purchase common stock, exercisable at \$2.50 per share, under the terms of the 2017 Equity Incentive Plan. The options have a term of five years. The options will vest in six equal monthly installments on the last calendar day of each calendar month, with the first portion vesting on May 31, 2020, subject to serving as the Chief Financial Officer of the Company on each applicable vesting date, provided that the options shall vest in full upon the listing of the Company's securities on NYSE American or the Nasdaq Capital Market. The award has been valued at \$65,210 using the Black Scholes model and compensation expense will be recorded over the vesting period. We have recorded compensation expense of \$21,737 related to the options during the three and six months ended June 30, 2020. The assumptions used in the Black Scholes model are as follows: (1) dividend yield of 0%; (2) expected volatility of 344%, (3) risk-free interest rate of 0.31%, (4) expected term of 5 years.

On May 14, 2020 the Company granted to its current Chief Financial Officer 431,251 options to purchase common stock, exercisable at \$2.50 per share, under the terms of the 2017 Equity Incentive Plan. The options have a term of five years. The options will vest over a two-year period in equal quarterly installments on the last day of each calendar quarter, with the first portion vesting on the last day of the calendar quarter during which the Company's securities begin trading on NYSE American or the Nasdaq Capital Market, subject to serving as the Chief Financial Officer of the Company on each applicable vesting date. The award has been valued at \$1,077,999 using the Black Scholes model and compensation expense will be recorded over the estimated vesting period. We have recorded compensation expense of \$56,737 related to the options during the three and six months ended June 30, 2020. The assumptions used in the Black Scholes model are as follows: (1) dividend yield of 0%; (2) expected volatility of 344%, (3) risk-free interest rate of 0.31%, (4) expected term of 5 years.

On May 14, 2020 the Company granted to a consultant 25,000 options to purchase common stock, exercisable at \$2.50 per share, under the terms of the 2017 Equity Incentive Plan. The options have a term of one year. The options will vest in full upon completion of a certain project, which is expected to occur in the third quarter of 2020. The award has been valued at \$49,304 using the Black Scholes model and compensation expense will be recorded over the estimated vesting period. We have recorded compensation expense of \$29,582 related to the options during the three and six months ended June 30, 2020. The assumptions used in the Black Scholes model are as follows: (1) dividend yield of 0%; (2) expected volatility of 250%, (3) risk-free interest rate of 0.15%, (4) expected term of 5 years.

During the three and six months ended June 30, 2020, we recorded \$451,957 and \$916,542 of compensation expense, respectively, related to stock options granted in prior years.

#### Warrants Recorded as Derivative Liabilities

##### Series D Preferred Stock Warrants

The Company identified embedded features in the warrants issued with Series D Preferred Stock in 2019 and 2020 which caused the warrants to be classified as a derivative liability. These embedded features included the right for the holders to request for the Company to cash settle the warrants to the holder by paying to the holder an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of the warrants on the date of the consummation of a fundamental transaction, as defined in the warrant instrument. The accounting treatment of derivative financial instruments requires that the Company treat the whole instrument as liability and record the fair value of the instrument as a derivative as of the inception date of the instrument and to adjust the fair value of the instrument as of each subsequent balance sheet date.

As of the issuance date of the unit warrants issued in 2020 in connection with the sale of Series D Preferred Stock (See Note 9), the Company determined a fair value for the derivative liability of \$26,465 for the 8,594 warrants, which has been charged to paid in capital. The fair value of the warrants was determined using the Black-Scholes Model based on a risk-free interest rate of 0.34%, an expected term of 5 years, an expected volatility of 344% and a 0% dividend yield.

As a result of the sale of convertible notes and warrants as described in Note 8, the number and exercise price of the Series D Preferred Stock warrants outstanding was adjusted due to anti-dilution provisions in the warrants. The exercise price was reduced to \$1.60 from \$4.80 and the number of warrants was increased from 479,533 to 1,438,599. We have recorded an expense for the change in derivative value due to the anti-dilution adjustments of \$2,642,175 as a result of the trigger of the anti-dilution provision.

During the three and six months ended June 30, 2020, the Company recorded other expense of \$72,886 and \$637,974, respectively, related to the change in the fair value of the derivative. The fair value of the embedded derivative was \$3,918,656 as of June 30, 2020, determined using the Black Scholes model based on a risk-free interest rate of 0.235% - 0.29%, an expected term of 3.75 - 4.95 years, an expected volatility of 334 - 357% and a 0% dividend yield.

#### Convertible Debenture Warrants and Placement Agent Warrants

The Company identified embedded features in the warrants issued with the convertible debt and the placement agent warrants in 2020 (see Note 8) which caused the warrants to be classified as a derivative liability. These embedded features included the right for the holders to request for the Company to cash settle the warrants to the holder by paying to the holder an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of the warrants on the date of the consummation of a fundamental transaction, as defined in the warrant instrument. The accounting treatment of derivative financial instruments requires that the Company treat the whole instrument as liability and record the fair value of the instrument as a derivative as of the inception date of the instrument and to adjust the fair value of the instrument as of each subsequent balance sheet date.

As of the issuance date of the Debenture warrants, the Company determined a fair value of \$4,665,877 for the 1,845,703 warrants. The fair value of the warrants was determined using the Black-Scholes Model based on a risk-free interest rate of 0.22%, an expected term of 2.93 - 3 years, an expected volatility of 252% - 341% and a 0% dividend yield. Of this amount, \$1,325,323 was recorded as debt discount (see Note 8) and \$3,340,554 was charged to expense as initial derivative expense.

As of the issuance date of the placement agent warrants, the Company determined a fair value of \$933,177 for the 369,141 warrants. The fair value of the warrants was determined using the Black-Scholes Model based on a risk-free interest rate of 0.22%, an expected term of 2.93 - 3 years, an expected volatility of 252% - 341% and a 0% dividend yield. The value of \$933,177 has been recorded as debt cost (see Note 8).

During the three and six months ended June 30, 2020, the Company recorded other expense of \$266,202 related to the change in the fair value of the derivative. The fair value of the embedded derivative was \$5,865,256 as of June 30, 2020, determined using the Black Scholes model based

on a risk-free interest rate of 0.18%, an expected term of 2.91 years, an expected volatility of 253% and a 0% dividend yield.



**Commitments and  
Contingencies**

**6 Months Ended  
Jun. 30, 2020**

**Commitments and  
Contingencies Disclosure**

**[Abstract]**

**COMMITMENTS AND  
CONTINGENCIES**

**NOTE 11 — COMMITMENTS AND CONTINGENCIES**

Although not a party to any proceedings or claims at June 30, 2020, the Company may be subject to legal proceedings and claims from time-to-time arising out of our operations in the ordinary course of business.

Leases:

On March 31, 2019, the Company entered into a sublease with a related party (see Note 12) for its current corporate headquarters. The sublease expires in November 2022. Monthly lease payments are currently \$7,307 per month and increase to \$7,535 per month for the final 20 months of the lease.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02: "Leases (Topic 842)" whereby lessees need to recognize almost all leases on their balance sheet as a right of use asset and a corresponding lease liability. The Company adopted this standard as of January 1, 2019 using the effective date method. We calculated the present value of the remaining lease payment stream using our incremental effective borrowing rate of 10%. We initially recorded a right to use asset and corresponding lease liability amounting to \$269,054 on March 31, 2019. The right to use asset and the corresponding lease liability are being equally amortized on a straight-line basis over the remaining term of the lease.

For the six months ended June 30, 2020, lease costs amounted to \$74,286 which includes base lease costs of \$43,155 and common area and other expenses of \$31,131. All costs were expensed during the periods and included in general and administrative expenses on the accompanying consolidated statements of operations.

Right-of-use asset ("ROU") is summarized below:

	<b>June 30, 2020</b>
Operating office lease	\$ 269,054
Less accumulated reduction	(91,723)
Balance of ROU asset at June 30, 2020	<u>\$ 177,331</u>

Operating lease liability related to the ROU asset is summarized below:

	<b>June 30, 2020</b>
Total lease liability	\$ 269,054
Reduction of lease liability	(91,723)
Total	177,331
Less short term portion as of June 30, 2020	(73,378)
Long term portion as of June 30, 2020	<u>\$ 103,953</u>

Future base lease payments under the non-cancellable operating lease at June 30, 2020 are as follows:

2020	\$ 43,842
------	-----------

2021	89,736
2022	82,885
Total minimum non-cancellable operating lease payments	216,463
Less discount to fair value	(39,132)
Total fair value of lease payments	<u>\$ 177,331</u>

COVID-19 Uncertainty:

In March 2020, the outbreak of COVID-19 (coronavirus) caused by a novel strain of the coronavirus was recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States, including in each of the areas in which the Company operates. While to date the Company has not been required to stop operating, management is evaluating its use of its office space, virtual meetings and the like to comply with health and safety guidelines to protect employees, contractors and customers, including in connection with a transition back to the workplace. We have reduced certain billing rates to respond to the current economic climate. Additionally, while we have experienced, and could continue to experience, a loss of clients as the result of the pandemic, we expect that the impact of such attrition would be mitigated by the addition of new clients resulting from our continued efforts to adjust the Company's operations to address changes in the recruitment industry. The extent to which the COVID-19 pandemic will impact our operations, ability to obtain financing or future financial results is uncertain at this time. Management has spent time evaluating shifting market demands and adjusting the Company's focus. Due to the effects of COVID-19, the Company took steps to streamline certain expenses, such as temporarily cutting certain executive compensation packages by approximately 20%. Management also worked to reduce unnecessary marketing expenditures and worked to improve staff and human capital expenditures, while maintaining overall workforce levels. The Company expects to resume certain expenses, such as compensation, later in 2020 if conditions warrant. The Company expects but cannot guarantee that demand for its recruiting solutions will improve in the second half of 2020, as certain clients re-open or accelerate their hiring initiatives, and new clients utilize our services. The Company does not expect reductions made in the second quarter of 2020 due to COVID-19 will inhibit its ability to meet client demand. Overall, management is focused on effectively positioning the Company for a rebound in hiring which we expect in the second half of 2020. Ultimately, the recovery may be delayed and the economic conditions may worsen. The Company continues to closely monitor the confidence of its recruiter users and customers, and their respective job requirement load through offline discussions and the Company's Recruiter Index survey.

## Related Party Transactions

**6 Months Ended  
Jun. 30, 2020**

### Related Party Transactions

#### [Abstract]

#### RELATED PARTY TRANSACTIONS

#### **NOTE 12 — RELATED PARTY TRANSACTIONS**

During 2018 we entered into a marketing agreement with an entity controlled by a consultant (who is also a principal shareholder and former noteholder of the Company). The agreement provides for payment to this entity of 10% of applicable revenue generated through the use of the entities database. The agreement also provides for the payment to us of 10% of the revenue generated by the entity using our social media groups. Through June 30, 2020 no fees were due or payable under this arrangement.

During 2019 we entered into a two year non-exclusive consulting agreement with a principal shareholder to act as Company's consultant with respect to introducing the Company to potential acquisition and partnership targets. The Company has agreed to pay the consultant a retainer of \$10,000 per month as a non-recoverable draw against any finder fees earned. The Company has also agreed to pay the consultant the sum of \$5,500 per month for three years (\$198,000 total) as a finder's fee for introducing Genesys to the Company. This payment is included in the \$10,000 monthly retainer payment. We have recorded consulting fees expense of \$13,500 and \$27,000 during the three and six months ended June 30, 2020, respectively. We have recorded consulting fees expense of \$211,500 during the three and six months ended June 30, 2019. At June 30, 2020, \$132,000 of the Genesys finder's fee and \$13,500 of monthly fee expense is included in accrued compensation.

We use a related party firm of the Company, for software development and maintenance related to our website and the platform underlying our operations. The firm was formed outside of the United States solely for the purpose of performing services for the Company and has no other clients. Our Chief Technology Officer is an employee of this firm and exerts control over the firm. Payments to this firm were \$57,401 and \$44,934 for the three months ended June 30, 2020 and 2019, respectively. Payments to this firm were \$118,380 and \$94,788 for the six months ended June 30, 2020 and 2019, respectively.

We are a party to that certain license agreement with Genesys. An executive officer of the Company is a significant equity holder and a member of the Board of directors of Genesys. Pursuant to the License Agreement Genesys has granted us an exclusive license to use certain candidate matching software and render certain related services to us. The Company has agreed to pay to Genesys a monthly license fee of \$5,000 beginning June 29, 2019 and an annual fee of \$1,995 for each recruiter being licensed under the License Agreement. During the three and six months ended June 30, 2020 we charged to operating expenses \$48,453 and \$86,930, respectively, for services provided by Genesys. During the three and six months ended June 30, 2019 we charged to operating expenses \$12,693 for services provided by Genesys. As of June 30, 2020, the Company owes Genesys \$73,321 in payables.

Icon Information Consultants performs all of the back office and accounting roles for Recruiting Solutions. Icon Information Consultants then charges a fee for the services along with charging for office space (see Note 11). Icon Information Consultants and Icon Industrial Solutions (collectively "Icon") also provide "Employer of Record" ("EOR") services to Recruiting Solutions which means that they process all payroll and payroll tax related duties of temporary and contract employees placed at customer sites and is then paid a reimbursement and fee from Recruiting Solutions. A representative of Icon is a member of our board of directors. Icon Canada also acts as an EOR and collects the customer payments and remits the net fee back to Recruiting Solutions. Revenue related to customers processed by Icon Canada is recognized on a gross basis the same as other revenues and was \$36,091 and \$69,318 for the three and six months ended June 30, 2020, respectively, and was \$90,081 for the three and six months ended June 30, 2019. EOR costs related to customers processed by Icon Canada was \$33,784 and \$64,854 for the three and six months

ended June 30, 2020, respectively, and was \$84,960 for the three and six months ended June 30, 2019. Currently, there is no intercompany agreement for those charges and they are calculated on a best estimate basis. As of June 30, 2020, the Company owes Icon \$859,193 in payables and Icon Canada owes \$7,435 (included in accounts receivable) to the Company. During the three and six months ended June 30, 2020, we charged to cost of revenue \$264,928 and \$889,242, respectively, related to services provided by Icon as our employer of record. During the three and six months ended June 30, 2019, we charged to cost of revenue \$709,175 related to services provided by Icon as our employer of record. During the three and six months ended June 30, 2020, we charged to operating expenses \$59,327 and \$130,268 related to management fees, rent and other administrative expense. During the three and six months ended June 30, 2019, we charged to operating expenses of \$52,813 related to management fees, rent and other administrative expense.

We also recorded placement revenue from Icon of \$7,020 and \$13,430 during the three and six months ended June 30, 2020, respectively, of which \$7,020 is included in accounts receivable at June 30, 2020.

## Business Combination

6 Months Ended  
Jun. 30, 2020

### Business Combinations

#### [Abstract]

#### BUSINESS COMBINATION NOTE 13 — BUSINESS COMBINATION

##### Business Combination

On March 31, 2019, the Company, through its wholly-owned subsidiary Recruiter.com Recruiting Solutions LLC ("Recruiting Solutions") acquired certain assets and assumed certain liabilities from Genesys pursuant to the Asset Purchase Agreement. Recruiting Solutions was formed for the purpose of completing the asset purchase transaction. For purposes of purchase accounting, the Company is referred to as the acquirer.

The results of operations of Recruiting Solutions are included in the Company's consolidated financial statements from the date of acquisition of March 31, 2019. The following supplemental unaudited pro forma combined financial information assumes that the acquisition had occurred at the beginning of the six months ended June 30, 2019.

	<b>June 30, 2019</b>
Revenue	\$ 3,937,422
Net Loss	\$(3,650,641)
Loss per common share, basic and diluted	\$ (4.02)

The pro forma financial information is not necessarily indicative of the results that would have occurred if the acquisition had occurred on the dates indicated or that result in the future.

## Subsequent Events

**6 Months Ended  
Jun. 30, 2020**

[Subsequent Events](#)

[\[Abstract\]](#)

[SUBSEQUENT EVENTS](#)

### **NOTE 14 — SUBSEQUENT EVENTS**

In July 2020, the Company issued 12,000 shares of restricted common stock to a consultant pursuant to a previously executed consulting agreement.

The Company issued 110,000 shares of common stock upon the conversion of 8,800 shares of Series D Preferred Stock.

We entered into an executive employment agreement on July 1, 2020 (the "Employment Agreement") with Chad MacRae as the Senior Vice President Recruiters on Demand. The Employment Agreement specifies that certain customer contracts, databases, and computer equipment were to be transferred to the Company in connection with the hiring of Mr. MacRae. The Company's management is currently evaluating the proper accounting treatment for this transaction. Mr. MacRae's compensation package includes a \$50,000 signing bonus and an annual base salary of \$125,000. He is also entitled to earn a bonus package capped at \$350,000 equal to any profit his division generates during the first full year of his employment, payable on a quarterly basis (the "Bonus"). In addition, Mr. MacRae received five-year incentive stock options to purchase 250,000 shares of the Company's common stock with an exercise price of \$1.85, issuable under the 2017 Equity Incentive Plan. The options will vest on the last calendar day of each month over a 12 month period in equal monthly increments, subject to continued employment with the Company as of each applicable vesting date and subject to execution of the Company's standard Stock Option Agreement. Unless the Executive is terminated by the Company for Cause (as defined in the Employment Agreement) before all the stock options have vested then, upon termination, any remaining unvested stock options shall automatically accelerate and vest. Upon a termination for Cause, all unvested options shall terminate.

If the Bonus compensation totals \$350,000, the Company shall issue to the Executive, subject to approval by the Company's Board, qualified options to purchase an additional 250,000 shares of the Company's common stock at an exercise price equal to the market price as of the date the Bonus compensation is computed, subject to adjustment for any increase or decrease in the number of issued shares resulting from a stock dividend, stock split, reverse stock split, or other subdivision or consolidation of shares. These options shall vest over a two (2) year period in equal quarterly installments on the last day of each calendar quarter beginning with the first full calendar quarter after computation of the Bonus compensation totalling \$350,000, subject to the Executive's continued employment with the Company as of each applicable vesting date.

**Organization and Summary  
of Significant Accounting  
Policies (Policies)**

**6 Months Ended**

**Jun. 30, 2020**

**Organization, Consolidation  
and Presentation of  
Financial Statements**  
**[Abstract]**

**General**

**General**

Recruiter.com Group, Inc., a Nevada corporation ("RGI"), is a holding company based in Houston, Texas. The Company has four subsidiaries, Recruiter.com, Inc., Recruiter.com Recruiting Solutions LLC ("Recruiting Solutions"), Recruiter.com Consulting, LLC and VocaWorks, Inc. ("VocaWorks"). RGI and its subsidiaries as a consolidated group is hereinafter referred to as the "Company." The Company operates in Connecticut, Texas, and New York.

**Reincorporation**

On May 13, 2020, the Company effected a reincorporation from the State of Delaware to the State of Nevada. Following the approval by the Company's stockholders at a special meeting held on May 8, 2020, Recruiter.com Group, Inc., a Delaware corporation ("Recruiter.com Delaware"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with Recruiter.com Group, Inc., a Nevada corporation and a wholly owned subsidiary of Recruiter.com Delaware ("Recruiter.com Nevada"), pursuant to which Recruiter.com Delaware merged with and into Recruiter.com Nevada, with Recruiter.com Nevada continuing as the surviving entity. Simultaneously with the reincorporation, the number of shares of common stock the Company is authorized to issue was increased from 31,250,000 shares to 250,000,000 shares.

The reincorporation did not result in any change in the corporate name, business, management, fiscal year, accounting, location of the principal executive office, or assets or liabilities of the Company.

**Asset Purchase**

Effective March 31, 2019, RGI acquired certain assets and assumed certain liabilities under an asset purchase agreement, dated March 31, 2019, among RGI, Genesys Talent LLC, a Texas limited liability company ("Genesys"), and Recruiting Solutions, a wholly owned subsidiary of the Company (the "Asset Purchase"). As consideration in the Asset Purchase the Company issued a total of 200,000 shares of its Series F Preferred Stock convertible into 2,500,000 shares of the Company's common stock. The acquired assets and liabilities include certain accounts receivable, accounts payable, deferred revenue, sales and client relationships, contracts, intellectual property, partnership and vendor agreements and certain other assets. The Company is utilizing these assets in its employment staffing business operated through Recruiting Solutions. This transaction was treated as a business combination (see Note 13).

**Principles of Consolidation and Basis of Presentation**

The unaudited condensed consolidated financial statements include the accounts of RGI and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

The accompanying condensed consolidated financial statements are unaudited. The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading.

**Principles of Consolidation  
and Basis of Presentation**

Accordingly, these interim unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto of RGI for the years ended December 31, 2019 and 2018, filed with the SEC on May 8, 2020. The December 31, 2019 balance sheet is derived from those statements.

In the opinion of management, these unaudited interim financial statements as of and for the three and six months ended June 30, 2020 and 2019 include all adjustments (consisting of normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows of the Company for the periods presented). The results for the three and six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020 or for any future period. All references to June 30, 2020 and 2019 in these footnotes are unaudited.

## Use of Estimates

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results and outcomes may differ from management's estimates and assumptions. Included in these estimates are assumptions used to estimate collection of accounts receivable, fair value of available for sale securities, fair value of derivative liabilities, fair value of securities issued for acquisitions, fair value of assets acquired and liabilities assumed in the business combination, fair value of intangible assets and goodwill, valuation of initial right of use assets and corresponding lease liabilities, deferred income tax asset valuation allowances, and valuation of stock based compensation expense.

## Cash and Cash Equivalents

### **Cash and Cash Equivalents**

The Company considers all short-term highly liquid investments with a remaining maturity at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has not experienced any losses related to these balances as of June 30, 2020. Uninsured balances were approximately \$1,136,000 and \$0 as of June 30, 2020 and December 31, 2019. The Company had no cash equivalents during or at the end of either period.

## Revenue Recognition

### **Revenue Recognition**

The Company recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). Revenues are recognized when control is transferred to customers in amounts that reflect the consideration the Company expects to be entitled to receive in exchange for those goods. Revenue recognition is evaluated through the following five steps: (i) identification of the contract, or contracts, with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Revenues are predominantly derived from the following activities:

- **Consulting and Staffing.** Consists of consulting and staffing personnel services provided to customers to satisfy demand for long term consulting and temporary employee needs.
- **Recruiting Solutions.** Consists of placement of specialized personnel at employers generating success-based fees for candidate referrals for direct-hire, facilitated by our Job Market software platform and artificial intelligence matching technologies.
- **Career Solutions.** Consists of (i) Resume Distribution, whereby the Company sends out candidate resumes to its network of independent recruiters and (ii) Recruiter Certification Program, whereby users access the Company's recruitment training content through its online learning management system.



- Marketing Solutions.** Consists of web portal monetization, lead generation, and digital
- publication advertising structured for specialized B2B software companies to access niche industry audience, primarily of recruitment and HR audience.

We have a sales team and sales partnerships with direct employers as well as Vendor Management System companies and Managed Service companies that help create sales channels for clients that buy staffing, direct hire, and sourcing services. Once we have secured the relationship and contract with the interested Enterprise customer the delivery and product teams will provide the service to fulfil any or all of the revenue segments.

Revenues as presented on the statement of operations represent services rendered to customers less sales adjustments and allowances.

Consulting and Staffing Services revenues represent services rendered to customers less sales adjustments and allowances. Reimbursements, including those related to travel and out-of-pocket expenses, are also included in the net service revenues and equivalent amounts of reimbursable expenses are included in costs of revenue. We record substantially all revenue on a gross basis as a principal versus on a net basis as an agent in the presentation of this line of revenues and expenses. We have concluded that gross reporting is appropriate because we have the task of identifying and hiring qualified employees, and our discretion to select the employees and establish their compensation and duties causes us to bear the risk for services that are not fully paid for by customers. Consulting and staffing revenues are recognized when the services are rendered by the temporary employees. Payroll and related taxes of certain employees that are placed on temporary assignment are outsourced to third party payors or related party payors. The payors pay all related costs of employment for these employees, including workers' compensation insurance, state and federal unemployment taxes, social security and certain fringe benefits. We assume the risk of acceptability of the employees to customers. Payments for consulting and staffing services are typically due within 90 days of completion of services.

Direct hire recruitment placement revenues are recognized on a gross basis when the guarantee period specified in the customer contract expires. No fees for direct hire placement services are charged to employment candidates. Any payments received prior to the expiration of the guarantee period are recorded as a deferred revenue liability. Payments for recruitment services are typically due within 90 days of completion of services.

Career services revenues are recognized on a gross basis upon distribution of resumes or completion of training courses, which is the point at which the performance obligations are satisfied. Payments for career services are typically due upon distribution or completion of services.

Marketing and publishing services revenues are recognized on a gross basis when the advertising is placed and displayed or when lead generation activities and online publications are completed, which is the point at which the performance obligations are satisfied. Payments for marketing and publishing are typically due within 30 days of completion of services.

Deferred revenue results from transactions in which the Company has been paid for services by customers, but for which all revenue recognition criteria have not yet been met. Once all revenue recognition criteria have been met, the deferred revenues are recognized.

Sales tax collected is recorded on a net basis and is excluded from revenue.

#### Contract Assets

The Company does not have any contract assets such as work-in-process. All trade receivables on the Company's balance sheet are from contracts with customers.

#### Contract Costs

Costs incurred to obtain a contract are capitalized unless they are short term in nature. As a practical matter, costs to obtain a contract that are short term in nature are expensed as incurred. The Company does not have any contract costs capitalized as of June 30, 2020 or December 31, 2019.

#### Contract Liabilities - Deferred Revenue

The Company's contract liabilities consist of advance customer payments and deferred revenue. Deferred revenue results from transactions in which the Company has been paid for services by customers, but for which all revenue recognition criteria have not yet been met. Once all revenue recognition criteria have been met, the deferred revenues are recognized.

For each of the identified periods, revenues can be categorized into the following:

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Consulting and staffing services	\$3,490,056	\$1,605,894
Permanent placement fees	290,767	158,381
License and other	231,831	130,365
Career services	79,342	72,765
Marketing and publishing	74,541	168,378
Total revenue	<u>\$4,166,537</u>	<u>\$2,135,783</u>

	<b>Three Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Consulting and staffing services	\$1,576,662	\$1,605,894
Permanent placement fees	153,140	118,103
License and other	46,856	130,365
Career services	42,408	33,483
Marketing and publishing	34,348	84,636
Total revenue	<u>\$1,853,414</u>	<u>\$1,972,481</u>

As of June 30, 2020 and December 31, 2019, deferred revenue amounted to \$86,689 and \$145,474 respectively. As of June 30, 2020, deferred revenues associated with placement services are \$83,189 and we expect the recognition of such services to be \$63,001 within the three months ended September 30, 2020 and \$20,188 thereafter. As of June 30, 2020, deferred revenues associated with marketing services are \$3,500 and we expect the recognition of such services to be within the three months ended September 30, 2020.

Revenue from international sources was approximately 2% and 5% for the six months ended June 30, 2020 and 2019, respectively.

#### Costs of Revenue

##### **Costs of Revenue**

Costs of revenues consist of employee costs, third party staffing costs and other fees, outsourced recruiter fees and net margin revenue share.

#### Accounts Receivable

##### **Accounts Receivable**

Credit is extended to customers based on an evaluation of their financial condition and other factors. Management periodically assesses the Company's accounts receivable and, if necessary, establishes an allowance for estimated uncollectible amounts. Accounts determined to be uncollectible are charged to operations when that determination is made. The Company usually does not require collateral. We have recorded an allowance for doubtful accounts of \$33,000 and \$21,000 as of June 30, 2020 and December 31, 2019, respectively. Bad debt expense was \$750 and

\$0 for the three month periods ended June 30, 2020 and 2019, respectively and \$12,000 and \$0 for six month periods ended June 30, 2020 and 2019, respectively.

### Concentration of Credit Risk and Significant Customers and Vendors

#### **Concentration of Credit Risk and Significant Customers and Vendors**

As of June 30, 2020, two customers accounted for more than 10% of the accounts receivable balance, at 42% and 13%, for a total of 55%. As of December 31, 2019, three customers accounted for more than 10% of the accounts receivable balance, at 19%, 15% and 13%, for a total of 47%.

For the six months ended June 30, 2020 three customers accounted for 10% or more of total revenue, at 35%, 15% and 14%, for a total of 64%. For the six months ended June 30, 2019 three customers accounted for 10% or more of total revenue, at 25%, 18% and 10%, for a total of 53%.

We use a related party firm for software development and maintenance related to our website and the platform underlying our operations. One of our officers and principal shareholders is an employee of this firm but exerts control over this firm (see Note 12).

We are a party to that certain license agreement with a related party firm (see Note 12). Pursuant to the license agreement the firm has granted us an exclusive license to use certain candidate matching software and render certain related services to us. If this relationship was terminated or if the firm was to cease doing business or cease to support the applications we currently utilize, we may be forced to expend significant time and resources to replace the licensed software. Further, the necessary replacements may not be available on a timely basis on favorable terms, or at all. If we were to lose the ability to use this software our business and operating results could be materially and adversely affected.

### Advertising and Marketing Costs

#### **Advertising and Marketing Costs**

The Company expenses all advertising and marketing costs as incurred. Advertising and marketing costs were \$15,068 and \$2,969 for the three months ended June 30, 2020 and 2019, respectively. Advertising and marketing costs were \$40,311 and \$2,969 for the six months ended June 30, 2020 and 2019, respectively.

### Fair Value of Financial Instruments and Fair Value Measurements

#### **Fair Value of Financial Instruments and Fair Value Measurements**

The Company measures and discloses the fair value of assets and liabilities required to be carried at fair value in accordance with ASC 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value, establishes a hierarchical framework for measuring fair value, and enhances fair value measurement disclosure.

ASC 825 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825 establishes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which we have access at the measurement date.

Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Company's investment in available for sale securities and warrant derivative liabilities are measured at fair value. The securities are measured based on current trading prices using Level 1 fair value inputs. The Company's derivative instruments are valued using Level 3 fair value inputs. The Company does not have any other financial instruments which require re-measurement to fair value. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and loans payable represent fair value based upon their short-term nature.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The table below summarizes the fair values of our financial assets and liabilities as of June 30, 2020:

	Fair Value at June 30, 2020	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Available for sale marketable securities (Note 3)	\$ 9,017	\$ 9,017	\$ -	\$ -
Warrant derivative liability (Note 10)	\$9,783,912	\$ -	\$ -	\$9,783,912

The reconciliation of the derivative liability measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows for the six months ended June 30, 2020:

Balance at December 31, 2019	\$ 612,042
Additions to derivative instruments	5,625,519
Anti-dilution adjustments to derivative instruments	2,642,175
Loss on change in fair value of derivative liability	904,176
Balance at June 30, 2020	\$9,783,912

## Goodwill

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*: The objective of this guidance is to simplify an entity's required test for impairment of goodwill by eliminating Step 2 from the goodwill impairment test by permitting the entity to complete a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Under this Update, an entity should perform its annual or quarterly goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount and record an impairment charge for the excess of the carrying amount over the reporting unit's fair value. The loss recognized should not exceed the total amount of goodwill allocated to the reporting unit and the entity must consider the income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. This guidance is effective for a public business entity that is an SEC filer for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company early adopted ASU 2017-04 as of January 1, 2019.

Goodwill is comprised of the purchase price of business combinations in excess of the fair value assigned at acquisition to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized. The Company tests goodwill for impairment for its reporting units on an annual basis, or when events occur or circumstances indicate the fair value of a reporting unit is below its carrying value.

The Company performs its annual goodwill impairment assessment on December 31st of each year, or earlier if facts and circumstances indicate that an impairment may have occurred.

When evaluating the potential impairment of goodwill, management first assesses a range of qualitative factors, including but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for the Company's products and services, regulatory and political developments, entity specific factors such as strategy and changes in key

personnel, and the overall financial performance for each of the Company's reporting units. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then proceed to the impairment testing methodology primarily using the income approach (discounted cash flow method).

We compare the carrying value of the reporting unit, including goodwill, with its fair value, as determined by its estimated discounted cash flows. If the carrying value of a reporting unit exceeds its fair value, then the amount of impairment to be recognized is recognized as the amount by which the carrying amount exceeds the fair value.

When required, we arrive at our estimates of fair value using a discounted cash flow methodology which includes estimates of future cash flows to be generated by specifically identified assets, as well as selecting a discount rate to measure the present value of those anticipated cash flows. Estimating future cash flows requires significant judgment and includes making assumptions about projected growth rates, industry-specific factors, working capital requirements, weighted average cost of capital, and current and anticipated operating conditions. The use of different assumptions or estimates for future cash flows could produce different results.

## [Stock-Based Compensation](#)

### **Stock-Based Compensation**

We account for our stock-based compensation under ASC 718 "Compensation – Stock Compensation" using the fair value based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the shorter of the service period or the vesting period of the stock-based compensation. This guidance establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option pricing model. Determining the fair value of stock-based compensation at the grant date under this model requires judgment, including estimating volatility, employee stock option exercise behaviors and forfeiture rates. The assumptions used in calculating the fair value of stock-based compensation represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgment.

## [Derivative Instruments](#)

### **Derivative Instruments**

The Company's derivative financial instruments consist of the warrants issued with the sale of our convertible notes in 2020 (See Notes 8 and 10) and warrants issued with the sale of our Series D Preferred Stock in 2019 and 2020 (see Notes 9 and 10). The accounting treatment of derivative financial instruments requires that we record the derivatives at their fair values as of the inception date of the debt agreements and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense at each balance sheet date. If the fair value of the derivatives was higher at the subsequent balance sheet date, we recorded a non-operating, non-cash charge. If the fair value of the derivatives was lower at the subsequent balance sheet date, we recorded non-operating, non-cash income.

## [Product Development](#)

### **Product Development**

Product development costs are included in selling, general and administrative expenses and consist of support, maintenance and upgrades of our website and IT platform and are charged to operations as incurred.

## [Earnings \(Loss\) Per Share](#)

### **Earnings (Loss) Per Share**

The Company follows ASC 260 "Earnings Per Share" for calculating the basic and diluted earnings (or loss) per share. Basic earnings (or loss) per share are computed by dividing earnings (or loss) available to common shareholders by the weighted-average number of common shares outstanding. Diluted earnings (or loss) per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the potential shares of common stock had been issued and if the additional shares were dilutive. Common stock equivalents are excluded from the diluted

earnings (or loss) per share computation if their effect is anti-dilutive. Common stock equivalents in amounts of 24,381,679 and 19,436,262 were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2020 and 2019, respectively, because their effects would have been anti-dilutive.

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Options	1,355,758	540,905
Stock awards	866,500	494,593
Warrants	3,653,443	470,939
Convertible notes	1,845,703	-
Convertible preferred stock	16,660,275	17,929,825
	<u>24,381,679</u>	<u>19,436,262</u>

## [Business Segments](#)

### **Business Segments**

The Company uses the "management approach" to identify its reportable segments. The management approach designates the internal organization used by management for making operating decisions and assessing performance as the basis for identifying the Company's reportable segments. Using the management approach, the Company determined that it has one operating segment.

## [Recently Issued Accounting Pronouncements](#)

### **Recently Issued Accounting Pronouncements**

There have not been any recent changes in accounting pronouncements and ASU issued by the FASB that are of significance or potential significance to the Company except as disclosed below.

In December 2019, the FASB issued ASU 2019-12, "*Simplifying the Accounting for Income Taxes*." This guidance, among other provisions, eliminates certain exceptions to existing guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This guidance also requires an entity to reflect the effect of an enacted change in tax laws or rates in its effective income tax rate in the first interim period that includes the enactment date of the new legislation, aligning the timing of recognition of the effects from enacted tax law changes on the effective income tax rate with the effects on deferred income tax assets and liabilities. Under existing guidance, an entity recognizes the effects of the enacted tax law change on the effective income tax rate in the period that includes the effective date of the tax law. ASU 2019-12 is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of this guidance.

**Organization and Summary  
of Significant Accounting  
Policies (Tables)**

**6 Months Ended  
Jun. 30, 2020**

[Organization, Consolidation and Presentation of  
Financial Statements \[Abstract\]](#)

[Schedule of revenues can be categorized into the  
following](#)

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Consulting and staffing services	\$3,490,056	\$1,605,894
Permanent placement fees	290,767	158,381
License and other	231,831	130,365
Career services	79,342	72,765
Marketing and publishing	74,541	168,378
Total revenue	<u>\$4,166,537</u>	<u>\$2,135,783</u>

	<b>Three Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Consulting and staffing services	\$1,576,662	\$1,605,894
Permanent placement fees	153,140	118,103
License and other	46,856	130,365
Career services	42,408	33,483
Marketing and publishing	34,348	84,636
Total revenue	<u>\$1,853,414</u>	<u>\$1,972,481</u>

[Schedule of fair values of financial assets and liabilities](#)

	<b>Fair Value at June 30,</b>	<b>Fair Value Measurement Using</b>		
	<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Available for sale marketable securities (Note 3)	\$ 9,017	\$9,017	\$ -	\$ -
Warrant derivative liability (Note 10)	\$9,783,912	\$ -	\$ -	\$9,783,912

[Schedule of derivative liability measured at fair value on  
a recurring basis](#)

Balance at December 31, 2019	\$ 612,042
Additions to derivative instruments	5,625,519
Anti-dilution adjustments to derivative instruments	2,642,175
Loss on change in fair value of derivative liability	904,176
Balance at June 30, 2020	<u>\$9,783,912</u>

[Schedule of earnings \(loss\) per share](#)

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Options	1,355,758	540,905
Stock awards	866,500	494,593
Warrants	3,653,443	470,939
Convertible notes	1,845,703	-
Convertible preferred stock	16,660,275	17,929,825
	<u>24,381,679</u>	<u>19,436,262</u>



**Investment in Available for  
Sale Marketable Securities  
(Tables)**

**6 Months Ended  
Jun. 30, 2020**

[Organization, Consolidation and Presentation of  
Financial Statements \[Abstract\]](#)

[Schedule of net recognized gains \(losses\) on equity  
investments](#)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net realized gains (losses) on investment sold	\$ (401)	\$ -	\$ (2,543)	\$ -
Net unrealized gains (losses) on investments still held	447	(92,500)	(16,197)	(101,417)
<b>Total</b>	<b>\$ 46</b>	<b>\$(92,500)</b>	<b>\$(18,740)</b>	<b>\$(101,417)</b>
			<b>June 30,</b>	<b>June 30,</b>
			<b>2020</b>	<b>2019</b>
Balance – December 31			\$ 44,766	\$ 33,917
Additions			-	240,000
Proceeds on sales of securities			(17,009)	-
Recognized losses			(18,740)	(101,417)
<b>Balance – June 30</b>			<b>\$ 9,017</b>	<b>\$ 172,500</b>

[Schedule of reconciliation of the investment in  
marketable securities](#)



## Loans Payable (Tables)

6 Months Ended  
Jun. 30, 2020

### [Loans Payable \[Abstract\]](#)

#### [Schedule of loans payable](#)

	June 30, 2020	December 31, 2019
Term loans	\$ 90,440	\$ 103,800
Less current portion	(27,335)	(25,934)
Non-current portion	<u>\$ 63,105</u>	<u>\$ 77,866</u>

#### [Schedule of future principal payments under the term notes](#)

	Year Ending December 31,
2020	\$13,386
2021	28,195
2022	30,133
2023	18,726
Total minimum principal payments	<u>\$90,440</u>

**Commitments and  
Contingencies (Tables)**

**6 Months Ended  
Jun. 30, 2020**

**Commitments and Contingencies Disclosure [Abstract]**

Schedule of right-of-use asset

	<b>June 30, 2020</b>
Operating office lease	\$269,054
Less accumulated reduction	(91,723)
Balance of ROU asset at June 30, 2020	<u>\$177,331</u>

Schedule of operating lease liability

	<b>June 30, 2020</b>
Total lease liability	\$269,054
Reduction of lease liability	(91,723)
Total	177,331
Less short term portion as of June 30, 2020	(73,378)
Long term portion as of June 30, 2020	<u>\$103,953</u>

Schedule of future base lease payments under the non-cancellable operating lease

2020	\$ 43,842
2021	89,736
2022	82,885
Total minimum non-cancellable operating lease payments	216,463
Less discount to fair value	(39,132)
Total fair value of lease payments	<u>\$177,331</u>

**Business Combination  
(Tables)**

**6 Months Ended  
Jun. 30, 2020**

**[Business Combinations \[Abstract\]](#)**

[Schedule of supplemental unaudited pro forma combined information](#)

	<b>June 30, 2019</b>
Revenue	\$ 3,937,422
Net Loss	\$(3,650,641)
Loss per common share, basic and diluted	\$ (4.02)

<b>Organization and Summary of Significant Accounting Policies (Details) - USD (\$)</b>	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>Jun. 30, 2020</b>	<b>Jun. 30, 2019</b>	<b>Jun. 30, 2020</b>	<b>Jun. 30, 2019</b>
<a href="#"><u>Total revenue</u></a>	\$ 1,853,414	\$ 1,972,481	\$ 4,166,537	\$ 2,135,783
<a href="#"><u>Consulting and staffing services [Member]</u></a>				
<a href="#"><u>Total revenue</u></a>	1,576,662	1,605,894	3,490,056	1,605,894
<a href="#"><u>Permanent placement fees [Member]</u></a>				
<a href="#"><u>Total revenue</u></a>	153,140	118,103	290,767	158,381
<a href="#"><u>License and other [Member]</u></a>				
<a href="#"><u>Total revenue</u></a>	46,856	130,365	231,831	130,365
<a href="#"><u>Career services [Member]</u></a>				
<a href="#"><u>Total revenue</u></a>	42,408	33,483	79,342	72,765
<a href="#"><u>Marketing and publishing [Member]</u></a>				
<a href="#"><u>Total revenue</u></a>	\$ 34,348	\$ 84,636	\$ 74,541	\$ 168,378

**Organization and Summary  
of Significant Accounting  
Policies (Details 1) - USD (\$)**

**Jun. 30, 2020 Dec. 31, 2019 Jun. 30, 2019 Dec. 31, 2018**

<a href="#">Available for sale marketable securities (Note 3)</a>	\$ 9,017	\$ 44,766	\$ 172,500	\$ 33,917
<a href="#">Warrant derivative liability (Note 10)</a>	9,783,912	\$ 612,042		
<a href="#">Level 1 [Member]</a>				
<a href="#">Available for sale marketable securities (Note 3)</a>	9,017			
<a href="#">Warrant derivative liability (Note 10)</a>				
<a href="#">Level 2 [Member]</a>				
<a href="#">Available for sale marketable securities (Note 3)</a>				
<a href="#">Warrant derivative liability (Note 10)</a>				
<a href="#">Level 3 [Member]</a>				
<a href="#">Available for sale marketable securities (Note 3)</a>				
<a href="#">Warrant derivative liability (Note 10)</a>		\$ 9,783,912		

**Organization and Summary  
of Significant Accounting  
Policies (Details 2)**

**6 Months Ended  
Jun. 30, 2020  
USD (\$)**

**Reconciliation of derivative**

<u>Balance at beginning of period</u>	\$ 612,042
<u>Additions to derivative instruments</u>	5,625,519
<u>Anti-dilution adjustments to derivative instruments</u>	2,642,175
<u>Loss on change in fair value of derivative liability</u>	904,176
<u>Balance at end of period</u>	\$ 9,783,912

**Organization and Summary  
of Significant Accounting  
Policies (Details 3) - shares**

**6 Months Ended  
Jun. 30, 2020 Jun. 30, 2019**

<a href="#">Common shares equivalents, outstanding</a>	24,381,679	19,436,262
<a href="#">Convertible preferred stock [Member]</a>		
<a href="#">Common shares equivalents, outstanding</a>	16,660,275	17,929,825
<a href="#">Convertible notes [Member]</a>		
<a href="#">Common shares equivalents, outstanding</a>	1,845,703	
<a href="#">Warrants [Member]</a>		
<a href="#">Common shares equivalents, outstanding</a>	3,653,443	470,939
<a href="#">Options [Member]</a>		
<a href="#">Common shares equivalents, outstanding</a>	1,355,758	540,905
<a href="#">Stock awards [Member]</a>		
<a href="#">Common shares equivalents, outstanding</a>	866,500	494,593

Organization and Summary of Significant Accounting Policies (Details Textual)	3 Months Ended			6 Months Ended		12 Months Ended
	Jun. 30, 2020 USD (\$) Customers shares	Jun. 30, 2019 USD (\$) Customers	Mar. 31, 2019 shares	Jun. 30, 2020 USD (\$) Customers shares	Jun. 30, 2019 USD (\$) Customers shares	Dec. 31, 2019 USD (\$) Customers shares
<a href="#">Organization and Summary of Significant Accounting Policies (Textual)</a>						
<a href="#">Common shares equivalents   shares</a>				24,381,679	19,436,262	
<a href="#">Deferred revenue</a>	\$ 86,689			\$ 86,689		\$ 145,474
<a href="#">Deferred revenues placement services</a>				83,189		
<a href="#">Deferred revenue</a>				63,001		
<a href="#">Deferred revenue thereafter</a>				20,188		
<a href="#">Bad debt expense</a>				\$ 12,000		
<a href="#">Revenue from international sources, percentage</a>				2.00%	5.00%	
<a href="#">Advertising and marketing costs</a>	\$ 15,068	\$ 2,969		\$ 40,311	\$ 2,969	
<a href="#">Common stock, shares authorized   shares</a>	250,000,000			250,000,000		250,000,000
<a href="#">Uninsured balances</a>	\$ 1,136,000			\$ 1,136,000		\$ 0
<a href="#">Minimum [Member]</a>						
<a href="#">Organization and Summary of Significant Accounting Policies (Textual)</a>						
<a href="#">Common stock, shares authorized   shares</a>	250,000,000			250,000,000		
<a href="#">Maximum [Member]</a>						
<a href="#">Organization and Summary of Significant Accounting Policies (Textual)</a>						
<a href="#">Common stock, shares authorized   shares</a>	31,250,000			31,250,000		
<a href="#">Marketing Services [Member]</a>						
<a href="#">Organization and Summary of Significant Accounting Policies (Textual)</a>						
<a href="#">Deferred revenue recognition</a>				\$ 3,500		
<a href="#">Accounts Receivable [Member]</a>						
<a href="#">Organization and Summary of Significant Accounting Policies (Textual)</a>						
<a href="#">Percentage of concentration credit risk</a>				55.00%		47.00%



<a href="#">Description of concentration risk percentage</a>			More than 10%.	More than 10%.
<a href="#">Number of customers   Customers</a>	2		2	3
<a href="#">Allowance for doubtful accounts</a>	\$ 33,000		\$ 33,000	\$ 21,000
<a href="#">Bad debt expense</a>	\$ 12,000	\$ 0	\$ 750	\$ 0
<a href="#">Accounts Receivable [Member]   Customer One [Member]</a>				
<b><a href="#">Organization and Summary of Significant Accounting Policies (Textual)</a></b>				
<a href="#">Percentage of concentration credit risk</a>			42.00%	19.00%
<a href="#">Accounts Receivable [Member]   Customer Two [Member]</a>				
<b><a href="#">Organization and Summary of Significant Accounting Policies (Textual)</a></b>				
<a href="#">Percentage of concentration credit risk</a>			13.00%	15.00%
<a href="#">Accounts Receivable [Member]   Customer Three [Member]</a>				
<b><a href="#">Organization and Summary of Significant Accounting Policies (Textual)</a></b>				
<a href="#">Percentage of concentration credit risk</a>				13.00%
<a href="#">Sales Revenue, Net [Member]</a>				
<b><a href="#">Organization and Summary of Significant Accounting Policies (Textual)</a></b>				
<a href="#">Percentage of concentration credit risk</a>			64.00%	53.00%
<a href="#">Description of concentration risk percentage</a>			10% or more.	10% or more
<a href="#">Number of customers   Customers</a>	3	3	3	3
<a href="#">Sales Revenue, Net [Member]   Customer One [Member]</a>				
<b><a href="#">Organization and Summary of Significant Accounting Policies (Textual)</a></b>				
<a href="#">Percentage of concentration credit risk</a>			35.00%	25.00%
<a href="#">Sales Revenue, Net [Member]   Customer Two [Member]</a>				
<b><a href="#">Organization and Summary of Significant Accounting Policies (Textual)</a></b>				
<a href="#">Percentage of concentration credit risk</a>			15.00%	18.00%
<a href="#">Sales Revenue, Net [Member]   Customer Three [Member]</a>				

**Organization and Summary of Significant Accounting Policies (Textual)**

<u>Percentage of concentration credit risk Series F Preferred Stock [Member]</u>	14.00%	10.00%
--	--------	--------

**Organization and Summary of Significant Accounting Policies (Textual)**

<u>Number of preferred shares issued   shares</u>	200,000
---	---------

<u>Number of shares issuable upon conversion   shares</u>	2,500,000
---	-----------

**Going Concern (Details)**

**6 Months Ended  
Jun. 30, 2020  
USD (\$)**

[Going Concern \[Abstract\]](#)

[Gross proceeds from convertible debentures and warrants](#) \$ 3,000,000

[Streamline certain expenses](#) 20.00%

Investment in Available for Sale Marketable Securities (Details) - USD (\$)	3 Months Ended		6 Months Ended	
	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
<b><u>Organization, Consolidation and Presentation of Financial Statements [Abstract]</u></b>				
<u>Net realized gains (losses) on investment sold</u>	\$ (401)		\$ (2,543)	
<u>Net unrealized gains (losses) on investments still held</u>	447	(92,500)	(16,197)	(101,417)
<u>Total</u>	\$ 46	\$ (92,500)	\$ (18,740)	\$ (101,417)

Investment in Available for Sale Marketable Securities (Details 1) - USD (\$)	3 Months Ended		6 Months Ended	
	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
<a href="#"><u>Organization, Consolidation and Presentation of Financial Statements [Abstract]</u></a>				
<a href="#"><u>Balance at beginning of period</u></a>			\$ 44,766	\$ 33,917
<a href="#"><u>Additions</u></a>				240,000
<a href="#"><u>Proceeds on sales of securities</u></a>			(17,009)	
<a href="#"><u>Recognized losses</u></a>	\$ 46	\$ (92,500)	(18,740)	(101,417)
<a href="#"><u>Balance at end of period</u></a>	\$ 9,017	\$ 172,500	\$ 9,017	\$ 172,500

**Investment in Available for  
Sale Marketable Securities  
(Details Textual) - USD (\$)**

**6 Months Ended 12 Months Ended  
Jun. 30, 2020 Dec. 31, 2019**

**Investment In Available For Sale Marketable Securities (Textual)**

<u>Cost basis of securities held</u>	\$ 629,720	\$ 708,541
<u>Accumulated unrealized losses</u>	620,703	\$ 663,775
<u>Value of available for sale marketable securities</u>	\$ 9,017	
<u>Number of shares owned in marketable securities</u>	261,333	
<u>Market price</u>	\$ 0.04	

Intangible Assets (Details)	3 Months Ended	6 Months Ended
	Jun. 30, 2020	Jun. 30, 2020
	USD (\$)	USD (\$)
<b><u>Intangible Assets (Textual)</u></b>		
<u>Amortization expense of intangible assets</u>	\$ 159,173	\$ 318,346
<u>2020</u>	318,000	318,000
<u>2021</u>	637,000	637,000
<u>2023</u>	\$ 159,000	\$ 159,000

Liability for Sale of Future Revenues (Details)	3 Months Ended	6 Months Ended
	Jun. 30, 2020	Jun. 30, 2020
	USD (\$)	USD (\$)
<b><u>Liability For Sale Of Future Revenues (Textual)</u></b>		
<u>Amortized discount to interest expense</u>	\$ 33,833	\$ 65,809
<u>Unamortized discount</u>	\$ 69,832	\$ 69,832



**Receivables Financing  
Agreement (Details)**

**3 Months Ended  
Jun. 30, 2020  
USD (\$)**

**Receivables Financing Agreement (Textual)**

<u>Bear interest rate per month</u>	1.50%
<u>Advances under agreement</u>	\$ 180,778
<u>Advance repaid</u>	112,622
<u>Remaining advances payable</u>	\$ 68,156

**Loans Payable (Details) -  
USD (\$)**

**Jun. 30, 2020 Dec. 31, 2019**

**Loans Payable**

<u>Term loans</u>	\$ 90,440	\$ 103,800
<u>Less current portion</u>	(27,335)	(25,934)
<u>Non-current portion</u>	\$ 63,105	\$ 77,866

**Loans Payable (Details 1)**      **Jun. 30, 2020**  
**USD (\$)**

**Year Ending December 31,**

<u>2020</u>	\$ 13,386
<u>2021</u>	28,195
<u>2022</u>	30,133
<u>2023</u>	18,726
<u>Total minimum principal payments</u>	\$ 90,440

Loans Payable (Details Textual) - USD (\$)	3 Months Ended		6 Months Ended	
	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2020	
			Jun. 30, 2019	Dec. 31, 2019
<b>Loans Payable (Textual)</b>				
<a href="#">Line of credit</a>	\$ 0	\$ 0		\$ 0
<a href="#">Line of credit facility, description</a>			Availability under the two lines was \$91,300 at June 30, 2020	
<a href="#">Term loan, description</a>			The loans have variable interest rates, with current rates at 6.0% and 7.76%, respectively. Current monthly payments under the loans are \$1,691 and \$1,008, respectively.	
<a href="#">Term loans</a>	\$ 90,440	\$ 90,440		\$ 103,800
<a href="#">Maturity date</a>			Mature in 2023.	
<a href="#">Lines of credit maturity term</a>	12 months		12 months	
<a href="#">SBA made payments</a>	\$ 7,262	\$ 7,262		
<a href="#">Principal amount</a>	\$ 5,964	\$ 5,964		
<a href="#">Interest expense</a>		\$ 1,298		
<a href="#">Note provide, description</a>			The terms on the note provide for interest at 1% per year and the note mature in 24 months, with 18 monthly payments beginning after the initial 6 month deferral period for payments. Since we expect the loans to be forgiven, we have classified them as long term at June 30, 2020.	
<a href="#">Subsidiaries, received aggregate</a>		\$ 398,545		

Convertible Notes Payable (Details) - USD (\$)	1 Months Ended	3 Months Ended	6 Months Ended
	May 28, 2020	Jun. 30, 2020	Jun. 30, 2020    Jun. 30, 2019
<b><u>Convertible Notes Payable</u></b> <b><u>(Textual)</u></b>			
<u>Original issue discount</u>			\$ 328,125
<u>Commission and fees</u>		\$ 366,500	\$ 366,500
<u>Debenture default percentage</u>		130.00%	130.00%
<u>Incurred debt costs</u>		\$ 1,299,677	\$ 1,299,677
<u>Fair value of placement agent warrants at time of issue</u>		933,177	933,177
<u>Amortization expense</u>		71,664	71,664
<u>Unamortized debt costs</u>		1,228,013	1,228,013
<u>Debt discount</u>			\$ 1,653,448
<u>Discount related to fair value of warrants</u>			1,325,323
<u>Securities Purchase Agreement [Member]</u>			
<b><u>Convertible Notes Payable</u></b> <b><u>(Textual)</u></b>			
<u>Securities purchase agreement, description</u>	(i) \$2,953,125 in the aggregate principal amount of 12.5% Original Issue Discount Senior Subordinated Secured Convertible Debentures (the "Debentures"), and (ii) 1,845,703 common stock purchase warrants (the "Warrants"), which represents 100% warrant coverage. The Company received a total of \$2,226,000 in net proceeds from the offering, after deducting the 12.5% original issue discount of \$328,125, offering expenses and commissions, including the placement agent's commission and fees of \$295,000, reimbursement of the placement agent's and lead investor's legal fees and the Company's legal fees in the aggregate amount of \$100,000 and escrow agent fees of \$4,000. The Company also agreed to issue to the placement agent, as additional compensation, 369,141 common stock purchase warrants exercisable at \$2.00 per share.		\$ 1,576,036
<u>Aggregate principal amount</u>	\$ 2,953,125		
<u>Original issue discount, percentage</u>	12.50%		

<u>Common stock purchase warrants</u>	1,845,703		
<u>Proceeds from offering</u>	\$ 2,226,000		
<u>Commission and fees</u>	295,000		
<u>Legal fees aggregate amount</u>	100,000		
<u>Escrow agent fees</u>	\$ 4,000		
<u>Warrant exercisable per share</u>	\$ 2.00		
<u>Common stock purchase warrants</u>	369,141		
<u>Debentures maturity date</u>	May 28, 2021		
<u>Debentures bears interest rate</u>	8.00%		
<u>Debenture conversion, description</u>	The Debentures are convertible into shares of Common Stock at any time following the date of issuance at the Purchasers' option at a conversion price of \$1.60 per share, subject to certain adjustments. The Debentures are subject to mandatory conversion in the event the Company closes an equity offering of at least \$5,000,000 resulting in the listing of the Company's common stock on a national securities exchange. The Debentures rank senior to all existing and future indebtedness of the Company and its subsidiaries, except for approximately \$508,000 of outstanding senior indebtedness.		
<u>Amortization expense</u>		\$ 77,412	\$ 77,412

Stockholders' Equity (Deficit), Temporary Equity and Noncontrolling Interests (Details) - USD (\$)	1 Months Ended						6 Months Ended		May 14, 2019	Feb. 01, 2019
	Jun. 18, 2020	Jun. 09, 2020	Jan. 15, 2020	Jun. 30, 2020	Apr. 30, 2020	Feb. 29, 2020	Jan. 31, 2020	Dec. 23, 2019		

[Stockholders Equity Note](#)

[\[Line Items\]](#)

<a href="#">Preferred stock, shares authorized</a>				10,000,000					10,000,000		10,000,000
<a href="#">Preferred stock, par value</a>				\$ 0.0001					\$ 0.0001		\$ 0.0001
<a href="#">Preferred stock, shares outstanding</a>											
<a href="#">Authorized common stock</a>				31,250,000					31,250,000	250,000,000	250,000,000
<a href="#">Common stock, par value</a>				\$ 0.0001					\$ 0.0001		\$ 0.0001
<a href="#">Common stock, shares authorized</a>				250,000,000					250,000,000		250,000,000
<a href="#">Common stock, shares issued</a>				5,009,508					5,009,508		3,619,658
<a href="#">Common stock, shares outstanding</a>				5,009,508					5,009,508		3,619,658
<a href="#">Recognized compensation expense</a>									\$ 318,473		

[Mr. Sohn \[Member\]](#)

[Stockholders Equity Note](#)

[\[Line Items\]](#)

<a href="#">Restricted common stock, description</a>	The RSUs will vest over a two-year period from the date of the Uplisting in equal quarterly installments on the last day of each calendar quarter, with the first portion vesting on the last day of the calendar quarter during which the Uplisting takes place, subject to Mr. Sohn serving as an executive officer of the Company on each applicable vesting date, provided that the RSUs shall vest in full immediately upon the termination of Mr. Sohn's employment by the Company without Cause (as defined in the Employment Agreement). The RSU award has been valued at \$1,662,000 and
--	---

compensation expense will be recorded over the estimated vesting period. We recognized compensation expense of \$30,218 during the three and six months ended June 30, 2020, respectively. The shares have not been issued at June 30, 2020.

<a href="#">Restricted common stock shares</a>	554,000			
<a href="#">Series D Preferred Stock [Member]</a>				
<a href="#">Stockholders Equity Note [Line Items]</a>				
<a href="#">Preferred stock, shares authorized</a>	2,000,000		2,000,000	2,000,000
<a href="#">Preferred stock, par value</a>	\$ 0.0001		\$ 0.0001	\$ 0.0001
<a href="#">Preferred stock, shares issued</a>	536,595		536,595	454,546
<a href="#">Preferred stock, shares outstanding</a>	536,595		536,595	454,546
<a href="#">Preferred Stock as consideration for waivers of penalties</a>			106,134	
<a href="#">Number of shares issued upon conversion</a>		161,250	157,000	
<a href="#">Preferred shares converted</a>	12,560		12,560	
<a href="#">Aggregate additional shares Conversion of shares</a>		12,900		106,134
<a href="#">Sale of stock sold, description</a>				

The Company sold 1,375 Series D preferred stock units (the "Units") at a purchase price of \$18.1818 per Unit, taking into account a 10% discount, each Unit consisting of one share of Series D Preferred Stock and a warrant to purchase 6.25 shares of common stock, subject to adjustment as provided for therein. The Series D



Preferred Stock sold in the financing converts into a minimum of 17,188 shares of common stock. The Company received gross proceeds of \$25,000 from the sale of the Units. The 8,594 warrants are exercisable for five years from the issuance date at an exercise price of \$4.80 per share, subject to adjustment as provided for therein.

[Share of Series D Preferred Stock sold](#) 1,375  
[Sale of preferred stock price per share](#) \$ 18.1818  
[Gross proceeds from sale of units](#) \$ 25,000

[Series E Preferred Stock \[Member\]](#)

**[Stockholders Equity Note \[Line Items\]](#)**

<a href="#">Preferred stock, shares authorized</a>	775,000		775,000	775,000
<a href="#">Preferred stock, par value</a>	\$ 0.0001		\$ 0.0001	\$ 0.0001
<a href="#">Preferred stock, shares issued</a>	731,845		731,845	734,986
<a href="#">Preferred stock, shares outstanding</a>	731,845		731,845	734,986
<a href="#">Included in accrued expenses</a>	\$ 308,893		\$ 308,893	
<a href="#">Shares issued</a>		39,260		
<a href="#">Conversion of shares</a>		3,141		

[Series F Preferred Stock \[Member\]](#)

**[Stockholders Equity Note \[Line Items\]](#)**

<a href="#">Preferred stock, shares authorized</a>	200,000		200,000	200,000
<a href="#">Preferred stock, par value</a>	\$ 0.0001		\$ 0.0001	\$ 0.0001
<a href="#">Preferred stock, shares issued</a>	64,382		64,382	139,768
<a href="#">Preferred stock, shares outstanding</a>	64,382		64,382	139,768
<a href="#">Shares issued</a>		138,926	803,414	803,414
<a href="#">Preferred shares converted</a>		11,114	64,272	64,272
<a href="#">Included in accrued expenses</a>	\$ 308,893		\$ 308,893	
<a href="#">Shares issued</a>			803,414	
<a href="#">Conversion of shares</a>			64,272	

[Preferred Stock \[Member\]](#)  
**[Stockholders Equity Note \[Line Items\]](#)**

<a href="#">Preferred stock, shares authorized</a>	10,000,000		10,000,000	10,000,000
<a href="#">Preferred stock, par value</a>	\$ 0.0001		\$ 0.0001	\$ 0.0001

<a href="#">Preferred stock, shares issued</a>	1,332,822	1,332,822	1,329,300
<a href="#">Preferred stock, shares outstanding</a>	1,332,822	1,332,822	1,329,300
<a href="#">Owed approximately penalties</a>			\$ 6,000,000
<a href="#">Value of shares issued</a>			1,929,516
<a href="#">Included in accrued expenses</a>	\$ 308,798	\$ 308,798	\$ 2,238,314

[Common Stock \[Member\]  
Stockholders Equity Note  
\[Line Items\]](#)

<a href="#">Authorized common stock</a>			31,250,000	
<a href="#">Restricted common stock</a>				\$ 43,423
<a href="#">Recognized compensation expense</a>		\$ 12,665		

[Common stock, description](#)

The Company issued 157,000 shares of its common stock upon conversion of 12,560 shares of its Series D Preferred Stock.

The Company issued 138,926 shares of its common stock upon conversion of 11,114 shares of Series F Preferred Stock.

The Company issued 161,250 shares of its common stock upon conversion of 12,900 shares of its Series D Preferred Stock.

The Company issued 39,260 shares of its common stock upon conversion of 3,141 shares of Series E Preferred Stock.

The Company granted to a consultant 312,500 restricted stock units (the "RSUs") pursuant to a consultant agreement. The RSUs vest 63,500 upon grant with the balance vesting monthly in equal installments beginning January 1, 2020 and ending November 1, 2020, subject to the consultants continued service to the Company on each vesting date. The RSU award has been valued at \$343,750 and compensation expense will be recorded over the respective vesting periods. We recognized compensation expense of \$74,999 and \$149,998 during the three and six months ended June 30, 2020, respectively. The shares have not been issued at June 30, 2020.

[Restricted common stock, description](#)

Pursuant to the agreement the Company agreed to

issue 30,000 shares of restricted common stock, earned monthly over the three month term of the agreement. The shares are fully vested upon issuance and have been valued at \$45,500, based on the quoted market price of our common stock on the vesting dates. The shares were issued on April 3, 2020. We have recorded compensation expense of \$6,500 and \$45,500 during the three and six months ended June 30, 2020, respectively.

[Restricted common stock shares](#)  
[Common Stock \[Member\]](#)  
[Stockholders Equity Note \[Line Items\]](#)  
[Common stock, description](#)

30,000

451,170

The Company issued 803,414 shares of its common stock upon conversion of 64,272 shares of Series F Preferred Stock.

[Restricted Common Stock \[Member\]](#)  
[Stockholders Equity Note \[Line Items\]](#)  
[Restricted common stock, description](#)

Pursuant to the agreement the Company agreed to issue 60,000 shares of restricted common stock, plus a payment of \$15,000. The shares are fully vested upon issuance and have been

valued at \$75,000, based on the quoted market price of our common stock on the grant date. The shares were issued on April 3, 2020. We have recorded compensation expense of \$37,500 and \$68,750 for the share portion of the agreement during the three and six months ended June 30, 2020, respectively, and expense of \$7,500 and \$13,750 for the cash portion during the three months ended June 30, 2020, respectively. Prepaid expense of \$6,250 for the stock portion and \$1,250 for the cash portion was recorded at June 30, 2020.

Stock Options and Warrants (Details) - USD (\$)	3 Months Ended			6 Months Ended			
	May 14, 2020	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019	May 31, 2020	Dec. 31, 2019
<b><u>Stock Options and Warrants (Textual)</u></b>							
<u>Warrant derivative liability</u>		\$		\$			\$
		9,783,912		9,783,912			612,042
<u>Initial derivative expense</u>		3,340,554		\$			
				3,340,554			
<u>Convertible Debenture Warrants and Placement Agent Warrants [Member]</u>							
<b><u>Stock Options and Warrants (Textual)</u></b>							
<u>Risk free interest rate</u>				0.22%			
<u>Dividend yield</u>				0.00%			
<u>Fair value of warrants at inception</u>				\$			
				4,665,877			
<u>Number of warrants issued, shares</u>				1,845,703			
<u>Expense for change in value of derivative</u>		266,202					
<u>Debt discount</u>				\$			
		1,325,323		1,325,323			
<u>Initial derivative expense</u>				\$			
				3,340,554			
<u>Convertible Debenture Warrants and Placement Agent Warrants [Member]   Minimum [Member]</u>							
<b><u>Stock Options and Warrants (Textual)</u></b>							
<u>Volatility factor</u>				252.00%			
<u>Expected life years</u>				2 years 11 months 4 days			
<u>Convertible Debenture Warrants and Placement Agent Warrants [Member]   Maximum [Member]</u>							
<b><u>Stock Options and Warrants (Textual)</u></b>							
<u>Volatility factor</u>				341.00%			
<u>Expected life years</u>				3 years			
<u>Convertible Debenture Warrants and Placement Agent Warrants [Member]</u>							
<b><u>Stock Options and Warrants (Textual)</u></b>							
<u>Risk free interest rate</u>				0.22%			
<u>Dividend yield</u>				0.00%			
<u>Fair value of warrants at inception</u>				\$ 933,177			
<u>Number of warrants issued, shares</u>				369,141			
<u>Debt discount</u>		933,177		\$ 933,177			

[Convertible Debenture Warrants and Placement Agent Warrants \[Member\] | Minimum \[Member\]](#)

**Stock Options and Warrants (Textual)**

<a href="#">Volatility factor</a>		252.00%
<a href="#">Expected life years</a>		2 years 11 months 4 days

[Convertible Debenture Warrants and Placement Agent Warrants \[Member\] | Maximum \[Member\]](#)

**Stock Options and Warrants (Textual)**

<a href="#">Volatility factor</a>		341.00%
<a href="#">Expected life years</a>		3 years

[Convertible Debenture Warrants and Placement Agent Warrants \[Member\]](#)

**Stock Options and Warrants (Textual)**

<a href="#">Risk free interest rate</a>		0.18%
<a href="#">Dividend yield</a>		0.00%
<a href="#">Volatility factor</a>		253.00%
<a href="#">Expected life years</a>		2 years 10 months 28 days

<a href="#">Fair value of derivative liability</a>	5,865,256	\$ 5,865,256
<a href="#">Expense for change in value of derivative Warrant [Member]   Series D Preferred Stock [Member]</a>		\$ 266,202

[Expense for change in value of derivative Warrant \[Member\] | Series D Preferred Stock \[Member\]](#)

**Stock Options and Warrants (Textual)**

<a href="#">Risk free interest rate</a>		0.34%
<a href="#">Dividend yield</a>		0.00%
<a href="#">Volatility factor</a>		344.00%
<a href="#">Expected life years</a>		5 years
<a href="#">Fair value of warrants at inception</a>		\$ 26,465
<a href="#">Number of warrants issued, shares</a>		8,594
<a href="#">Financing cost</a>		\$ 2,642,175

<a href="#">Fair value of derivative liability</a>	3,918,656	3,918,656
<a href="#">Expense for change in value of derivative Warrant [Member]   Series D Preferred Stock [Member]   Minimum [Member]</a>	72,886	\$ 637,974

[Expense for change in value of derivative Warrant \[Member\] | Series D Preferred Stock \[Member\] | Minimum \[Member\]](#)

**Stock Options and Warrants (Textual)**

<a href="#">Risk free interest rate</a>		0.235%
<a href="#">Volatility factor</a>		334.00%
<a href="#">Expected life years</a>		3 years 9 months

<a href="#">Exercise price</a>		\$ 1.60	
<a href="#">Number of warrants issued, shares</a>		479,533	
<a href="#">Warrant [Member]   Series D Preferred Stock [Member]   Maximum [Member]</a>			
<b><a href="#">Stock Options and Warrants (Textual)</a></b>			
<a href="#">Risk free interest rate</a>		0.29%	
<a href="#">Volatility factor</a>		357.00%	
<a href="#">Expected life years</a>		4 years 11 months 12 days	
<a href="#">Exercise price</a>		\$ 4.80	
<a href="#">Number of warrants issued, shares</a>		1,438,599	
<a href="#">Warrant [Member]   Series D Preferred Stock [Member]</a>			
<b><a href="#">Stock Options and Warrants (Textual)</a></b>			
<a href="#">Dividend yield</a>		0.00%	
<a href="#">Common Stock Options [Member]</a>			
<b><a href="#">Stock Options and Warrants (Textual)</a></b>			
<a href="#">Compensation expense</a>	451,957	\$ 916,542	
<a href="#">Common Stock Options [Member]   2017 Equity Incentive Plan [Member]   Chief Executive Officer [Member]</a>			
<b><a href="#">Stock Options and Warrants (Textual)</a></b>			
<a href="#">Options granted to purchase common stock</a>	26,087		
<a href="#">Value of the award at the time of grant</a>	\$ 65,210		
<a href="#">Risk free interest rate</a>	0.31%		
<a href="#">Dividend yield</a>	0.00%		
<a href="#">Volatility factor</a>	344.00%		
<a href="#">Expected life years</a>	5 years		
<a href="#">Exercise price</a>	\$ 2.50		
<a href="#">Options term</a>	5 years		
<a href="#">Compensation expense over vesting period</a>	21,737	21,737	
<a href="#">Common Stock Options [Member]   2017 Equity Incentive Plan [Member]   Chief Executive Officer [Member]</a>			
<b><a href="#">Stock Options and Warrants (Textual)</a></b>			
<a href="#">Options granted to purchase common stock</a>	431,251		
<a href="#">Value of the award at the time of grant</a>	\$ 1,077,999		
<a href="#">Risk free interest rate</a>	0.31%		
<a href="#">Dividend yield</a>	0.00%		
<a href="#">Volatility factor</a>	344.00%		
<a href="#">Expected life years</a>	5 years		
<a href="#">Exercise price</a>	\$ 2.50		
<a href="#">Options term</a>	5 years		

<a href="#">Compensation expense over vesting period</a>	56,737	56,737	
<a href="#">Common Stock Options [Member]   2017</a>			
<a href="#">Equity Incentive Plan [Member]   Chief</a>			
<a href="#">Executive Officer [Member]</a>			
<b><a href="#">Stock Options and Warrants (Textual)</a></b>			
<a href="#">Options granted to purchase common stock</a>	25,000		
<a href="#">Value of the award at the time of grant</a>	\$ 49,304		
<a href="#">Risk free interest rate</a>	0.15%		
<a href="#">Dividend yield</a>	0.00%		
<a href="#">Volatility factor</a>	250.00%		
<a href="#">Expected life years</a>	5 years		
<a href="#">Exercise price</a>	\$ 2.50		
<a href="#">Options term</a>	5 years		
<a href="#">Compensation expense over vesting period</a>	\$ 29,582	\$ 29,582	
<a href="#">2017 Equity Incentive Plan [Member]  </a>			
<a href="#">Common Stock Options [Member]</a>			
<b><a href="#">Stock Options and Warrants (Textual)</a></b>			
<a href="#">Number of shares authorized by the plan</a>	2,770,000	2,770,000	1,714,000



**Commitments and  
Contingencies (Details) -  
USD (\$)**

**Jun. 30, 2020 Dec. 31, 2019**

**Commitments and Contingencies Disclosure [Abstract]**

<u>Operating office lease</u>	\$ 269,054	
<u>Less accumulated reduction</u>	(91,723)	
<u>Balance of ROU asset at June 30, 2020</u>	\$ 177,331	\$ 214,020

**Commitments and  
Contingencies (Details 1) -  
USD (\$)**

**Jun. 30, 2020 Dec. 31, 2019**

**Commitments and Contingencies Disclosure [Abstract]**

<u>Total lease liability</u>	\$ 269,054	
<u>Reduction of lease liability</u>	(91,723)	
<u>Total</u>	177,331	\$ 214,020
<u>Less short term portion as of June 30, 2020</u>	73,378	73,378
<u>Long term portion as of June 30, 2020</u>	\$ 103,953	\$ 140,642

**Commitments and  
Contingencies (Details 2) -  
USD (\$)**

**Jun. 30, 2020 Dec. 31, 2019**

**Commitments and Contingencies Disclosure [Abstract]**

<u>2020</u>	\$ 43,842	
<u>2021</u>	89,736	
<u>2022</u>	82,885	
<u>Total minimum non-cancellable operating lease payments</u>	216,463	
<u>Less discount to fair value</u>	(39,132)	
<u>Total minimum principal payments</u>	\$ 177,331	\$ 214,020

**Commitments and  
Contingencies (Details  
Textual) - USD (\$)**

**3 Months Ended 6 Months Ended**  
**Jun. 30, 2019 Jun. 30, 2020 Mar. 31, 2019**

**Commitments and Contingencies (Textual)**

<u>Sublease expires date</u>	Nov. 30, 2022		
<u>Borrowing rate</u>	10.00%		
<u>Right of use asset</u>			\$ 269,054
<u>Lease costs amount</u>		\$ 74,286	
<u>Base lease costs</u>		43,155	
<u>Other expenses</u>		\$ 31,131	
<u>Streamline certain expenses</u>		20.00%	
<u>Minimum [Member]</u>			

**Commitments and Contingencies (Textual)**

Lease payments per month \$ 7,307

Maximum [Member]

**Commitments and Contingencies (Textual)**

Lease payments per month \$ 7,535

Related Party Transactions (Details) - USD (\$)	1 Months Ended Jun. 29, 2019	3 Months Ended Jun. 30, 2020	Jun. 30, 2019	6 Months Ended Jun. 30, 2020	Jun. 30, 2019	12 Months Ended Dec. 31, 2019	Dec. 31, 2018
<a href="#">Related Party Transactions (Textual)</a> <a href="#">Description of consultant agreement</a>						<p>The Company has agreed to pay the consultant a retainer of \$10,000 per month as a non-recoverable draw against any finder fees earned.</p> <p>The Company has also agreed to pay the consultant the sum of \$5,500 per month for three years (\$198,000 total) as a finder's fee for introducing Genesys to the Company. This payment is included in the \$10,000 monthly retainer payment.</p>	
<a href="#">Consulting fees expense</a>				\$ 27,000	\$ 211,500		

<a href="#">Monthly fee expense</a>			13,500	
<a href="#">Finder's fee accrued compensation</a>			132,000	
<a href="#">Operating expenses</a>	\$	\$	4,274,456	3,171,017
	1,858,004	2,701,335		
<a href="#">Cost of revenue</a>	1,418,242	1,461,922	3,169,438	1,461,922

[License agreement description](#) The Company has agreed to pay to Genesys a monthly license fee of \$5,000 beginning June 29, 2019 and an annual fee of \$1,995 for each recruiter being licensed under the License Agreement.

<a href="#">Placement revenue</a>	7,020		13,430	
-----------------------------------	-------	--	--------	--

[Related Party Transactions \[Member\]](#)

[Related Party Transactions \(Textual\)](#)

<a href="#">Payments to firm</a>	57,401	44,934	\$ 118,380	94,788
----------------------------------	--------	--------	------------	--------

[Marketing agreement, description](#)

We entered into a marketing agreement with an entity controlled by a consultant (who is also a principal shareholder and former noteholder

of the Company). The agreement provides for payment to this entity of 10% of applicable revenue generated through the use of the entities database. The agreement also provides for the payment to us of 10% of the revenue generated by the entity using our social media groups.

[Related party transaction, description](#)

Revenue related to customers processed by Icon Canada is recognized on a gross basis the same as other revenues and was \$36,091 and \$69,318 for the three and six months ended June 30, 2020, respectively,

and was \$90,081 for the three and six months ended June 30, 2019. EOR costs related to customers processed by Icon Canada was \$33,784 and \$64,854 for the three and six months ended June 30, 2020, respectively, and was \$84,960 for the three and six months ended June 30, 2019. Currently, there is no intercompany agreement for those charges and they are calculated on a best estimate basis. As of June 30, 2020, the Company owes Icon \$859,193 in payables and Icon Canada owes \$7,435 to the Company. During the three and six months ended June 30, 2020, we charged to cost of revenue



\$264,928 and \$889,242, respectively, related to services provided by Icon as our employer of record. During the three and six months ended June 30, 2019, we charged to cost of revenue \$709,175 related to services provided by Icon as our employer of record. During the three and six months ended June 30, 2020, we charged to operating expenses \$59,327 and \$130,268 related to management fees, rent and other administrative expense. During the three and six months ended June 30, 2019, we charged to operating expenses of \$52,813 related to management fees, rent and

			other administrative expense.	
<u>Operating expenses</u>	48,453	12,693	\$ 130,268	
<u>Genesys [Member]</u>				
<b><u>Related Party Transactions</u></b>				
<b><u>(Textual)</u></b>				
<u>Consulting fees expense</u>	13,500	211,500	27,000	211,500
<u>Payable amount owed</u>	73,321		73,321	
<u>Operating expenses</u>	\$ 59,327	\$ 52,813	\$ 86,930	\$ 12,693

**Business Combination**  
**(Details)**

**6 Months Ended**  
**Jun. 30, 2019**  
**USD (\$)**  
**\$ / shares**

**[Business Combinations \[Abstract\]](#)**

<u><a href="#">Revenue</a></u>	\$ 3,937,422
<u><a href="#">Net Loss</a></u>	\$ (3,650,641)
<u><a href="#">Loss per common share, basic and diluted   \$ / shares</a></u>	\$ (4.02)

<b>Subsequent Events (Details)</b>	<b>1 Months Ended</b>
<b>- Subsequent Event</b>	<b>Jul. 31, 2020</b>
<b>[Member]</b>	<b>USD (\$)</b>
<b>Subsequent Event (Textual)</b>	<b>shares</b>
<a href="#"><u>Issuance of shares of restricted common stock</u></a>	12,000
<a href="#"><u>Shares issued upon conversion of preferred stock</u></a>	110,000
<a href="#"><u>Number of preferred shares converted</u></a>	8,800
<a href="#"><u>Bonus compensation amount</u></a>	\$ 350,000
<a href="#"><u>\$</u></a>	
<a href="#"><u>Options to purchase an additional shares</u></a>	250,000
<a href="#"><u>Options shall vest, period</u></a>	2 years
<a href="#"><u>Executive employment agreement, description</u></a>	<p>We entered into an executive employment agreement on July 1, 2020 (the "Employment Agreement") with Chad MacRae as the Senior Vice President Recruiters on Demand. The Employment Agreement specifies that certain customer contracts, databases, and computer equipment were to be transferred to the Company in connection with the hiring of Mr. MacRae. The Company's management is currently evaluating the proper accounting treatment for this transaction. Mr. MacRae's compensation package includes a \$50,000 signing bonus and an annual base salary of \$125,000. He is also entitled to earn a bonus package capped at \$350,000 equal to any profit his division generates during the first full year of his employment, payable on a quarterly basis (the "Bonus"). In addition, Mr. MacRae received five-year incentive stock options to purchase 250,000 shares of the Company's common stock with an exercise price of \$1.85, issuable under the 2017 Equity Incentive Plan.</p>