IZEA, Inc.
Form 10-K/A
October 30, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-K/A
(Amendment No. 1)

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________________ to _________________

Commission File No.: 333-167960

IZEA, INC.
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	37-1530765 (I.R.S. Employer Identification No.)
1000 Legion Place, Suite 1600 Orlando, Florida (Address of principal executive offices)	32801 (Zip Code)

Registrant's telephone number, including area code: (407) 674-6911

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

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

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

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

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 x No o

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

Indicated by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. x

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

Large accelerated filer o		Accelerated filer o
Non-accelerated filer o	(Do not check if a smaller reporting company)	Smaller reporting company x

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2012 (the last business day of the registrant's most recently completed second fiscal quarter) was $3,454,166 based on the closing bid price of such common equity of $3.20 per share on that date. All executive officers and directors of the registrant and all 10% or greater shareholders have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

As of March 22, 2013, there were 7,145,526 shares of our common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
None

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the "Amendment") amends the Annual Report on Form 10-K for the year ended December 31, 2012 of IZEA, Inc. ("IZEA"), as originally filed with the U.S. Securities and Exchange Commission (the "SEC") on March 29, 2013 (the "Original Filing"). IZEA is filing the Amendment due to staff comments from the SEC solely to amend:

(a) Part II-Item 8 "Financial Statements and Supplementary Data" to correct the Report of Independent Registered Public Accounting Firm (the "Report") to refer to "the standards" of the PCAOB, rather than to "the auditing standards" of the PCAOB, as is required by the PCAOB's Auditing Standard No. 1; and

(b) Part IV-Item 15 "Exhibits and Financial Statement Schedules" to indicate that new certifications by IZEA's principal executive and principal financial officer, as required by Rule 12b-15, are filed as exhibits to the Amendment.

This Amendment does not affect any other parts of, or exhibits to, the Original Filing, nor does it reflect events occurring after the date of the Original Filing.

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Annual Report on Form 10-K/A for the period ended December 31, 2012

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ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
IZEA, Inc.

We have audited the accompanying consolidated balance sheets of IZEA, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IZEA, Inc. as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred recurring operating losses and had a negative working capital and an accumulated deficit at December 31, 2012. These conditions raise substantial doubt about the Company's ability to continue as a going concern without raising sufficient additional financing. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that would be necessary to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.

/s/ Cross, Fernandez & Riley, LLP

Orlando, Florida
March 29, 2013

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IZEA, Inc.
Consolidated Balance Sheets

	December 31, 2012	December 31, 2011
Assets		
Current:		
Cash and cash equivalents	$657,946	$225,277
Accounts receivable, net of allowances of $0 and $10,000	426,818	690,575
Prepaid expenses	162,565	165,736
Deferred finance costs, net of accumulated amortization of $25,923	1,877	—
Other current assets	11,627	38,897
Total current assets	1,260,833	1,120,485
Property and equipment, net	113,757	152,434
Intangible assets, net of accumulated amortization of $59,276 and $17,434	18,000	108,091
Security deposits	9,048	21,038
Total assets	$1,401,638	$1,402,048
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$1,163,307	$1,080,015
Accrued expenses	187,868	224,438
Deferred rent	—	10,830
Unearned revenue	1,140,140	1,132,794
Compound embedded derivative	11,817	—
Current portion of capital lease obligations	17,638	25,070
Current portion of notes payable	75,000	—
Total current liabilities	2,595,770	2,473,147
Capital lease obligations, less current portion	10,212	27,850
Notes payable, less current portion	106,355	—
Warrant liability	2,750	752,486
Total liabilities	2,715,087	3,253,483
Stockholders' deficit:		
Series A convertible preferred stock; $.0001 par value; 240 shares authorized; 5 and 230 shares issued and outstanding	—	—
Common stock, $.0001 par value; 100,000,000 shares authorized; 6,186,997 and 966,227 issued and outstanding	619	97
Additional paid-in capital	21,489,354	16,279,252
Accumulated deficit	(22,803,422)	(18,130,784)
Total stockholders' deficit	(1,313,449)	(1,851,435)
Total liabilities and stockholders' deficit	$1,401,638	$1,402,048

See accompanying notes to consolidated financial statements.

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IZEA, Inc.
Consolidated Statements of Operations

	Twelve Months Ended December 31, 2012	2011
Revenue	$4,954,239	$4,347,235
Cost of sales	2,150,379	1,951,571
Gross profit	2,803,860	2,395,664
Operating expenses:		
General and administrative	6,287,774	5,859,087
Sales and marketing	981,542	823,365
Total operating expenses	7,269,316	6,682,452
Loss from operations	(4,465,456)	(4,286,788)
Other income (expense):		
Interest expense	(115,799)	(24,392)
Loss on exchange of warrants	(802,123)	—
Change in fair value of derivatives, net	711,379	332,484
Other income (expense), net	(639)	104
Total other income (expense)	(207,182)	308,196
Net loss	$(4,672,638)	$(3,978,592)
Weighted average common shares outstanding – basic and diluted	4,736,073	612,791
Loss per common share – basic and diluted	$(0.99)	$(6.49)

See accompanying notes to consolidated financial statements.

IZEA, Inc.
Consolidated Statement of Stockholders' Deficit

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit
Balance, December 31, 2010	—	$—	—	$—	$14,074,956	$(14,152,192)	$(75,756)
Reverse merger and recapitalization	—	$—	875,000	$88	$1,392	$—	$—
Sale of common and preferred stock and warrants and exchange of promissory note, net of offering costs and beneficial conversion feature	230	$—	78,030	$8	$3,043,399	$—	$3,043,407
Fair value of warrants issued in offering	—	$—	—	$—	$(1,083,210)	$—	$(1,083,210)
Exercise of stock options	—	$—	683	$—	$1,766	$—	$1,766
Rounding shares	—	$—	14	$—	$—	$—	$—
Stock-based compensation shares issued in exchange for services	—	$—	12,500	$1	$164,999	$—	$165,000
Stock-based compensation expense	—	$—	—	$—	$75,950	$—	$75,950
Net loss	—	$—	—	$—	$—	$(3,978,592)	$(3,978,592)
Balance, December 31, 2011	230	$—	966,227	$97	$16,279,252	$(18,130,784)	$(1,851,435)
Sale of common stock, net of offering costs	—	—	2,636,336	263	2,997,967	—	2,998,230
Conversion of preferred stock	(225)	—	170,455	17	(17)	—	—
Conversion of notes payable into common stock	—	—	2,069,439	207	521,306	—	521,513
Exchange of warrants for common stock	—	—	135,782	13	821,933	—	821,946
Exercise of stock options	—	—	551	1	1,098	—	1,099
Stock issued for payment of services	—	—	207,942	21	686,205	—	686,226
Stock-based compensation	—	—	—	—	181,610	—	181,610
Rounding shares	—	—	265	—	—	—	—
Net loss	—	—	—	—	—	(4,672,638)	(4,672,638)
Balance, December 31, 2012	5	$—	6,186,997	$619	$21,489,354	$(22,803,422)	$(1,313,449)

See accompanying notes to consolidated financial statements.

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IZEA, Inc.
Consolidated Statements of Cash Flows

	Twelve Months Ended December 31,	
	2012	2011
Cash flows from operating activities:		
Net loss	$(4,672,638)	$(3,978,592)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	117,745	63,143
Stock-based compensation	181,610	75,950
Stock issued for payment of services	675,538	165,000
Provision for losses on accounts receivable	17,623	10,000
Loss on exchange of warrants	802,123	—
Change in fair value of derivatives, net	(711,379)	(332,484)
Impairment of intangible assets	48,249	—
Cash provided by (used for):		
Accounts receivable, net	246,134	(309,461)
Prepaid expenses and other current assets	41,129	(140,960)
Accounts payable	83,292	393,394
Accrued expenses	38,911	143,424
Unearned revenue	7,346	(6,725)
Deferred rent	(10,830)	1,610
Net cash used for operating activities	(3,135,147)	(3,915,701)
Cash flows from investing activities:		
Purchase of equipment	(11,303)	(3,051)
Purchase of intangible asset	—	(31,955)
Security deposits	11,990	(12,698)
Net cash provided by (used for) investing activities	687	(47,704)
Cash flows from financing activities:		
Proceeds from issuance of notes payable, net	543,700	500,000
Proceeds from issuance of common and preferred stock and warrants, net	3,047,400	2,543,407
Proceeds from exercise of stock options	1,099	1,766
Payments on notes payable and capital leases	(25,070)	(359,596)
Net cash provided by financing activities	3,567,129	2,685,577
Net increase (decrease) in cash and cash equivalents	432,669	(1,277,828)
Cash and cash equivalents, beginning of year	225,277	1,503,105
Cash and cash equivalents, end of period	$657,946	$225,277
Supplemental cash flow information:		
Cash paid during period for interest	$10,389	$22,894
Non-cash financing and investing activities:		
Fair value of compound embedded derivative in promissory notes	$27,776	$—
Value of common stock issued for deferred finance costs and future services	$10,688	$—
Fair value of warrants issued	$49,170	$1,084,970

Conversion of notes into common stock	$521,513	$—
Promissory note exchanged in financing arrangement	$—	$500,000
Acquisition of assets through capital lease	$—	$50,379
Liabilities assumed in customer list acquisition	$—	$91,810

See accompanying notes to consolidated financial statements.

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IZEA, Inc.
Notes to Consolidated Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Reverse Merger and Recapitalization
IZEA, Inc. (the "Company"), formerly known as IZEA Holdings, Inc. and before that, Rapid Holdings, Inc., was incorporated in Nevada on March 22, 2010. On May 12, 2011, the Company completed a share exchange (see Note 7) pursuant to which it acquired all of the capital stock of IZEA Innovations, Inc. ("IZEA"), which became its wholly owned subsidiary. IZEA was incorporated in the state of Florida in February 2006 and was later reincorporated in the state of Delaware in September 2006 and changed its name to IZEA, Inc. from PayPerPost, Inc. on November 2, 2007. In connection with the share exchange, the Company discontinued its former business and continued the social media sponsorship business of IZEA as its sole line of business. On November 23, 2011, the Company changed its name from "IZEA Holdings, Inc." to "IZEA, Inc." and the name of its subsidiary changed from "IZEA, Inc." to "IZEA Innovations, Inc." (collectively, the "Company"). The Company's headquarters are in Orlando, FL.

The share exchange was accounted for as a reverse-merger and recapitalization where IZEA was the acquirer for accounting purposes and IZEA, Inc. was the acquired company. Accordingly, IZEA's historical financial statements for periods prior to the acquisition have become the Company's retroactively restated for, and giving effect to, the number of shares received in the share exchange. The assets, liabilities and accumulated earnings, along with operations, reported in the financial statements prior to the share exchange are those of IZEA and are recorded at the historical cost basis.

The Company believes it is a world leader in social media sponsorships ("SMS"), a rapidly growing segment within social media where a company compensates a social media publisher to share sponsored content within their social network. The Company accomplishes this by operating multiple marketplaces that include its premier platforms SocialSpark, SponsoredTweets and Staree, as well as its legacy platforms PayPerPost and InPostLinks. The Company recently launched a display advertising network to use within its platforms called IZEAMedia. The Company's advertisers include a wide range of small and large businesses, including Fortune 500 companies, as well as advertising agencies. The Company's premier platforms are the focus of its current business for which it is actively developing new features. The Company generates its primary revenue through the sale of SMS to its advertisers. The Company fulfills the SMS transaction through its marketplace platforms by connecting its social media publishers such as bloggers, tweeters and mobile application users with its advertisers.

Reverse Stock Split
On July 30, 2012, the Company filed a Certificate of Change with the Secretary of State of Nevada to effect a reverse stock split of the issued and outstanding shares of its common stock at a ratio of one share for every 40 shares outstanding prior to the effective date of the reverse stock split. Additionally, the Company's total authorized shares of common stock were decreased from 500,000,000 shares to 12,500,000 shares and subsequently increased to 100,000,000 shares in February 2013 (see Note 11). All current and historical information contained herein related to the share and per share information for the Company's common stock or stock equivalents issued on or after May 12, 2011 reflects the 1-for-40 reverse stock split of the Company's outstanding shares of common stock that became market effective on August 1, 2012.

Principles of Consolidation
The consolidated financial statements include the accounts of IZEA, Inc. as of the date of the reverse merger, and its wholly owned subsidiary, IZEA Innovations, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Going Concern and Management’s Plans

The opinion of the Company's independent registered public accounting firm on the audited financial statements as of and for the year ended December 31, 2012 contains an explanatory paragraph regarding substantial doubt about the Company's ability to continue as a going concern.

The Company has incurred significant losses from operations since inception and has a working capital deficit of $1,334,937 and an accumulated deficit of $22,803,422 as of December 31, 2012. Net losses for the years ended December 31, 2012 and December 31, 2011 were $4,672,638 and $3,978,592, respectively. The Company's ability to continue as a going concern is dependent upon raising capital from financing transactions. The Company’s financial statements have been prepared on the basis that it is a going concern, which assumes continuity of operations and the realization of assets and satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments that might result if the Company was forced to discontinue its operations.

Revenues generated from the Company's operations are not presently sufficient to sustain its operations. Therefore, the Company will need to raise additional capital to fund its operations and repay its $75,000 promissory note (see Note 4) through various

IZEA, Inc.
Notes to Consolidated Financial Statements

financing transactions in order to continue its operations. Financing transactions may include the issuance of equity or convertible debt securities, obtaining credit facilities, or other financing alternatives. On February 4, 2013, the Company issued 773,983 shares of its common stock to settle the remaining balance owed of $112,150 on its $550,000 senior secured promissory note. On March 1, 2013, the Company secured a credit facility with Bridge Bank N.A. whereby it can receive advances up to $1.5 million based on 80% of eligible accounts receivable. The volatility and sharp decline in the trading price of the Company's common stock over the past year could make it more difficult to obtain financing through the issuance of equity or convertible debt securities. There can be no assurance that the Company will be successful in any future financing or that it will be available on terms that are acceptable.

Future financings through equity investments are likely to be dilutive to existing stockholders. Also, the terms of securities the Company may issue in future capital transactions may be more favorable for its new investors. Newly issued securities may include preferences, superior voting rights, the issuance of warrants or other derivative securities, and the issuances of incentive awards under equity employee incentive plans, which may have additional dilutive effects. Further, the Company may incur substantial costs in pursuing future capital and/or financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. The Company may also be required to recognize non-cash liabilities in connection with certain securities it may issue, such as convertible notes and warrants, which will adversely impact the Company's financial condition. The Company's ability to obtain needed financing may be impaired by such factors as the capital markets and its history of losses, which could impact the availability or cost of future financings. If the amount of capital the Company is able to raise from financing activities, together with its revenues from operations, is not sufficient to satisfy its capital needs, the Company may have to curtail its marketing and development plans and possibly cease operations.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable and Concentration of Credit Risk
Accounts receivable are customer obligations due under normal trade terms. Uncollectability of accounts receivable is not significant since most customers are bound by contract and are required to fund the Company for all the costs of an “opportunity”, defined as an order created by an advertiser for a publisher to write about the advertiser’s product. If a portion of the account balance is deemed uncollectible, the Company will either write-off the amount owed or provide a reserve based on the uncollectible portion of the account. Management determines the collectability of accounts by regularly evaluating individual customer receivables and considering a customer’s financial condition, credit history and current economic conditions. The Company does not have a reserve for doubtful accounts as of December 31, 2012. The reserve for doubtful accounts as of December 31, 2011 was $10,000. Management believes that this estimate is reasonable, but there can be no assurance that the estimate will not change as a result of a change in economic conditions or business conditions within the industry, the individual customers or the Company. Any adjustments to this account are reflected in the consolidated statements of operations as a general and administrative expense. Bad debt expense for the twelve months ended December 31, 2012 and 2011 was $17,623 and $14,115, respectively.

Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse customers make up the Company’s customer base, thus spreading the trade credit risk. The Company also controls credit risk through credit approvals, credit limits and monitoring procedures. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. At December 31, 2012, two customers accounted for 46% of total accounts receivable in the aggregate, each of which accounted for more than 10% of the Company’s accounts receivable. At December 31, 2011, the Company had two different customers which accounted for 27% of total accounts receivable in the aggregate. The Company had no customers that accounted for more than 10% of its revenue during the twelve months ended December 31, 2012 and 2011.

Property and Equipment

Depreciation and amortization is computed using the straight-line method and half-year convention over the estimated useful lives of the assets as follows:

Equipment	3 years
Furniture and fixtures	5 - 10 years
Software	3 years
Leasehold improvements	3 years

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Notes to Consolidated Financial Statements

Major additions and improvements are capitalized, while replacements, maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. When assets are retired or otherwise disposed of, related costs and accumulated depreciation and amortization are removed and any gain or loss is reported as other income or expense.

Impairment of Long-Lived Assets
The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. After analyzing expected future cash flows from a customer list it acquired in 2011, the Company determined that the fair value of this asset exceeded its carrying value as of December 31, 2012 and recorded a $48,249 impairment on the value of its customer lists in general and administrative expenses in the accompanying statements of operations. Additionally, the Company estimated that its future cash flows from these customers would be minimal after one more year and therefore, determined that the remaining fair value of the asset should be amortized equally over the remaining estimated useful life of one year.

Revenue Recognition
The Company derives its revenue from three sources: revenue from an advertiser for the use of the Company's network of social media publishers to fulfill advertiser sponsor requests for a blog post, tweet, click, purchase, or action ("Sponsored Revenue"), revenue from the posting of targeted display advertising ("Media Revenue") and revenue derived from various service fees charged to advertisers and publishers ("Service Fee Revenue"). Service fees charged to advertisers are primarily related to inactivity fees for dormant accounts and fees for additional services outside of sponsored revenue. Service fees to publishers include upgrade account fees for obtaining greater visibility to advertisers in advertiser searches in the Company's platforms, early cash out fees if a publisher wishes to take proceeds earned for services from their account when the account balance is below certain minimum balance thresholds and inactivity fees for dormant accounts. Sponsored revenue is recognized and considered earned after an advertiser's opportunity is posted on the Company's websites and their request was completed and content listed, as applicable, by the Company's publishers for a requisite period of time. The requisite period ranges from 3 days for an action or tweet to 30 days for a blog. Customers may prepay for services by placing a deposit in their account with the Company. In these cases, the deposits are recorded as unearned revenue until earned as described above. Media Revenue is recognized and considered earned when the Company's publishers place targeted display advertising in blogs. Service fees are recognized immediately when the maintenance or enhancement service is performed for an advertiser or publisher. All of the Company's revenue is generated through the rendering of services and is recognized under the general guidelines of SAB Topic 13 A.1 which states that revenue will be recognized when it is realized or realizable and earned. The Company considers its revenue as generally realized or realizable and earned once i) persuasive evidence of an arrangement exists, ii) services have been rendered, iii) the price to the advertiser or customer is fixed (required to be paid at a set amount that is not subject to refund or adjustment) and determinable, and iv) collectability is reasonably assured. The Company records revenue on the gross amount earned since it generally is the primary obligor in the arrangement, establishes the pricing and determines the service specifications.

Advertising Costs
Advertising costs are charged to expense as they are incurred, including payments to contact creators to promote the Company. Advertising expense charged to operations for the years ended December 31, 2012 and 2011 were approximately $300,000 and $511,000, respectively. Advertising costs are included in sales and marketing expense in the accompanying consolidated statements of operations.

Deferred Rent
The Company’s operating lease for its office facilities contained predetermined fixed increases of the base rental rate during the lease term which was recognized as rental expense on a straight-line basis over the lease term which ended in December 2012. The Company recorded the difference between the amounts charged to operations and amounts payable under the lease as deferred rent in the accompanying consolidated balance sheets.

Income Taxes
The Company has not recorded current income tax expense due to the generation of net operating losses. Deferred income taxes are accounted for using the balance sheet approach which requires recognition of deferred tax assets and liabilities for the expected future consequences of temporary differences between the financial reporting basis and the tax basis of assets and liabilities. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's remaining open tax years subject to examination by the Internal Revenue Service include the years ended December 31, 2009 through 2011.

Convertible Preferred Stock
The Company accounts for its convertible preferred stock under the provisions of Accounting Standards Codification ("ASC") on Distinguishing Liabilities from Equity, which sets forth the standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The ASC requires an issuer to classify a financial instrument that is within the scope of the ASC as a liability if such financial instrument embodies an unconditional obligation to redeem the instrument at a specified date and/or upon an event certain to occur. The Company determined that IZEA's preferred stock outstanding prior to May 12, 2011 did not meet the criteria requiring liability classification as its obligation to redeem these instruments was not based on an event certain to occur. The Series A Convertible Preferred Stock of the Company issued in May 2011 does not have a redemption feature. Future changes in the certainty of the Company's obligation to redeem these instruments could result in a change in classification.

Derivative Financial Instruments
The Company accounts for derivative instruments in accordance with ASC 815, Derivatives and Hedging ("ASC 815"), which requires additional disclosures about the Company's objectives and strategies for using derivative instruments, how the derivative instruments and related hedged items are accounted for, and how the derivative instruments and related hedging items affect the financial statements. The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risk. Terms of convertible debt and equity instruments are reviewed to determine whether or not they contain embedded derivative instruments that are required under ASC 815 to be accounted for separately from the host contract, and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in current period operating results. Pursuant to ASC 815, an evaluation of specifically identified conditions is made to determine whether the fair value of warrants issued is required to be classified as equity or as a derivative liability.

Beneficial Conversion and Warrant Valuation
The Company records a beneficial conversion feature ("BCF") related to the issuance of convertible debt and equity instruments that have conversion features at fixed rates that are in-the-money when issued, and the fair value of warrants issued in connection with those instruments. The BCF for the convertible instruments is recognized and measured by allocating a portion of the proceeds to warrants, based on their relative fair value, and as a reduction to the carrying amount of the convertible instrument equal to the intrinsic value of the conversion feature. The discounts recorded in connection with the BCF and warrant valuation are recognized a) for convertible debt as interest expense over the term of the debt, using the effective interest method or b) for convertible preferred stock as dividends at the time the stock first becomes convertible.

Fair Value of Financial Instruments
The Company's financial instruments are recorded at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect certain market assumptions. There are three levels of inputs that may be used to measure fair value:

- Level 1 – Valuation based on quoted market prices in active markets for identical assets and liabilities.
- Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.
- Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management’s best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The Company does not have any Level 1 or 2 financial assets or liabilities. The Company’s Level 3 financial liabilities measured at fair value consisted of the warrant liability and its compound embedded derivative as of December 31, 2012 (see Note 5).

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Significant unobservable inputs used in the fair value measurement of the warrants include the estimated term. Significant increases (decreases) in the estimated remaining period to exercise would result in a significantly higher (lower) fair value measurement.

Significant unobservable inputs used in the fair value measurement of the compound embedded derivatives included the variable linked number of shares, the variable conversion price and the credit-risk adjusted yield.

The compound embedded derivatives are linked to a variable number of common shares based upon 90% of the Company's closing stock price. The number of linked shares will increase (decrease) as the trading market price decreases (increases). Also, the conversion price is variable and is based on 90% of the Company's closing stock price on the date of conversion. Significant increases (decreases) in the trading market price in the future would result in a significantly lower (higher) fair value measurement.

In developing our credit risk assumption, consideration was made of publicly available bond rates and US Treasury Yields; however, since the Company does not have a formal credit-standing, management estimated our standing among various reported levels and grades for use in the model. During all periods, management estimated that the Company's standing was in the speculative to high-risk grades (BB- to CCC in the Standard and Poor's Rating). A significant increase (decrease) in the risk-adjusted interest rate could result in a significantly lower (higher) fair value measurement.

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. The fair value of the Company's notes payable and capital lease obligations approximate their carrying value based upon current rates available to the Company.

Stock-Based Compensation
Stock-based compensation cost related to stock options granted under the 2007 Equity Incentive Plan and the May 2011 and August 2011 Plans (together the "2011 Equity Incentive Plans") (see Note 7) is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. The Company estimates the fair value of each option award on the date of grant using a Black-Scholes option-pricing model that uses the assumptions noted in the table below. The Company estimates the fair value of its common stock using the closing stock price of its common stock as quoted on the OTCQB on the date of the agreement. Prior to April 1, 2012, due to limited trading history and volumes, the Company estimated the fair value of its common stock using recent independent valuations or the value paid in the most recent equity or financing transactions. The Company estimates the volatility of its common stock at the date of grant based on the volatility of comparable peer companies that are publicly traded and have had a longer trading history than itself. The Company determines the expected life based on historical experience with similar awards, giving consideration to the contractual terms, vesting schedules and post-vesting forfeitures. The Company uses the risk-free interest rate on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term approximately equal to the expected life of the award. The Company has never paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future. The Company used the following assumptions for options granted under the 2007 and the 2011 Equity Incentive Plans during the twelve months ended December 31, 2012 and 2011:

	Twelve Months Ended	
2007 Equity Incentive Plan Assumptions	December 31, 2012	December 31, 2011
Expected term	n/a	5 years
Weighted average volatility	n/a	54.96%
Weighted average risk free interest rate	n/a	2.36%

Expected dividends	n/a	—

2011 Equity Incentive Plan Assumptions	Twelve Months Ended December 31, 2012	December 31, 2011
Expected term	5 years	5 years
Weighted average volatility	54.89%	55.05%
Weighted average risk free interest rate	0.75%	1.84%
Expected dividends	—	—

The Company estimates forfeitures when recognizing compensation expense and this estimate of forfeitures is adjusted over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment, which is recognized in the period of change,

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and also impact the amount of unamortized compensation expense to be recognized in future periods. Current average expected forfeiture rates were 50.21% during the twelve months ended December 31, 2012 and 2011.

Non-Employee Stock-Based Compensation
The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC 505, "Equity-Based Payments to Non-Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. Stock-based compensation related to non-employees is accounted for based on the fair value of the related stock or options or the fair value of the services, whichever is more readily determinable.

Segment Information
The Company does not identify separate operating segments for management reporting purposes. The results of operations are the basis on which management evaluates operations and makes business decisions.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 could differ from those estimates.

Recent Accounting Pronouncements
There are several new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") which are not yet effective. Management does not believe any of these accounting pronouncements will be applicable and therefore will not have a material impact on the Company's financial position or operating results.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2012	December 31, 2011
Furniture and fixtures	$153,521	$144,512
Office equipment	23,400	23,400
Computer equipment	110,568	111,339
Computer software	—	12,292
Leasehold improvements	—	35,950
Total	287,489	327,493
Less accumulated depreciation and amortization	(173,732)	(175,059)
Property and equipment, net	$113,757	$152,434

Computer equipment includes items under capital leases totaling $87,840 as of December 31, 2012 and 2011. Accumulated amortization relating to equipment under capital leases totaled $55,008 and $25,728 as of December 31, 2012 and 2011, respectively. Depreciation and amortization expense on property and equipment recorded in general and administrative expense in the accompanying statements of operations was $49,980 and $41,915 for the twelve months ended December 31, 2012 and 2011, respectively.

NOTE 3. INTANGIBLE ASSETS

Loan Acquisition Costs
In conjunction with the issuance of note payables in 2012 and 2008 (see Note 4), the Company incurred $27,800 and $12,650, respectively in legal fees. These costs were capitalized as loan acquisition costs and are amortized over the term of the debt using the effective interest method. Amortization of loan costs included in interest expense in the accompanying statements of operations was $25,923 and $3,795 in the twelve months ended December 31, 2012 and 2011, respectively. The remaining value of loan costs as of December 31, 2012 is $1,877.

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Customer List Acquisition
In July 2011, the Company acquired a network of customers that included approximately 12,000 advertisers and 20,000 Twitter publishers in 143 countries from Magpie & Friends Ltd., a private limited company organized under the laws in England and Wales. The Company recorded total costs of $125,525 for the purchase of these customers including the issuance of warrants to acquire 250 shares of common stock valued at $1,760. In December 2012, after analyzing expected future cash flows the customer list it acquired in 2011, the Company determined that the fair value of this asset exceeded its carrying value as of December 31, 2012 and recorded a $48,249 impairment on the value of the customer lists in general and administrative expenses in the accompanying statements of operations. Additionally, the Company estimated that its future cash flows from these customers would be minimal after one more year and, therefore, determined that the remaining fair value of $18,000 should be amortized equally over the remaining estimated useful life of one year. Amortization of asset costs included in general and administrative expense in the accompanying statements of operations was $41,842 and $17,434 for the twelve months ended December 31, 2012 and 2011. Future amortization costs are estimated to be $19,877 in 2013.

Net intangible assets consists of the following:

	December 31, 2012	December 31, 2011
Loan acquisition costs	$27,800	$—
Customer lists	125,525	125,525
Total	153,325	125,525
Less impairment on customer lists	(48,249)	—
Less accumulated amortization	(85,199)	(17,434)
Intangible assets, net	$19,877	$108,091

NOTE 4. NOTES PAYABLE

Note Payable – Bank
On July 15, 2008, IZEA entered into a $1,000,000 Loan and Security Agreement (“Note Payable”) with Silicon Valley Bank, with an interest rate of 8% per annum, payable monthly. Interest only was payable through December 31, 2008. Repayment of principal was due in thirty-six consecutive equal monthly installments, or approximately $333,333 per year, beginning in January 2009 through December 31, 2011. The Note Payable was secured by all assets of IZEA until it was paid in full in December 2011.

In conjunction with the issuance of the Note Payable, IZEA also issued initial warrants to purchase 2,216 shares of Series A common stock, immediately exercisable, at an exercise price of $0.2039 per share. Per the terms of the Note Payable, IZEA also issued 1,108 additional warrants, containing similar terms as the initial warrants, for a total of 3,324 warrants issued under the Note Payable. The fair value associated with the warrants was not recorded since the amount was insignificant to the financial statements. The warrants expire on July 15, 2015 and automatically convert to common stock on this date if the fair market value of the Company’s common stock is greater than the warrant exercise price. Upon closing of the exchange on May 12, 2011 (see Note 7), the Company assumed these outstanding warrants of IZEA and authorized the issuance of replacement warrants to purchase 84 shares of its common stock at an exercise price of $8.16 per share.

Bridge Notes
On May 11, 2011, IZEA sold an aggregate $500,000 principal amount of 6% secured promissory notes (“Bridge Notes”) in a private placement transaction. The purchasers of Bridge Notes paid an aggregate gross purchase price of $500,000

for such Bridge Notes. The Bridge Notes were paid in full through their exchange into 50 Units in the May 2011 Offering as described in Note 7.

Convertible Notes Payable – Related Parties

On February 3, 2012, the Company issued a senior secured promissory note in the principal amount of $550,000 with an original issuance discount of $50,000, plus $3,500 in lender fees to two of its existing shareholders. In connection with the note, the Company incurred expenses of $21,800 for legal and other fees. Accordingly, net cash proceeds from the note amounted to $474,700. Unless earlier converted, exchanged or prepaid, the note matured on February 2, 2013. The note may be prepaid by the Company at any time. The obligations under the note are first priority senior secured obligations (subject to an equipment lease) and are secured by substantially all of the Company's assets. The face value of the note may be exchanged at the option of the holders into the applicable dollar amount of equity securities issued by the Company in a subsequent financing. The holders were permitted to convert the outstanding principal amount of the note at a conversion price of 90% of the closing price of the Company's common stock on the trading day prior to the date that the note becomes convertible, subject to further adjustment in

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the case of stock splits, reclassifications, reorganizations, certain issuances at less than the conversion price and the like, without limitation on the number of shares that could potentially be issued. The Company is further subject to certain liquidated damages if it fails to timely effectuate a conversion under the terms of the note. Until such time that the note is no longer outstanding, without the consent of the holders, the Company was prohibited from incurring certain debt, selling any account receivable or declaring any dividend. From October 2012 through December 2012, the noteholders of this promissory note, converted $437,850 of note value into 2,069,439 shares of common stock at an average conversion rate of $.21 per share. This note had a carrying balance of $106,355 with a 12.78% effective rate of interest and an unamortized discount of $5,795 remaining as of December 31, 2012. The note was fully amortized and on February 4, 2013, the Company satisfied all of its remaining obligations under this note when the noteholders converted the final balance owed of $112,150 into 773,983 shares of common stock at an average conversion rate of $.145 per share. In accordance with accounting standards for classification of debt, the Company has reflected the balance of this note as a long term liability as of December 31, 2012 since it was converted to equity and will not require the use of working capital in the future.

On May 4, 2012, the Company issued a 30-day promissory note to two of its existing shareholders in the principal amount of $75,000, incurring $6,000 in expenses for legal fees, which resulted in net proceeds of $69,000. In June 2012, the note was extended until December 4, 2012 and the parties agreed that the noteholders could convert the note at any time on or before the maturity date into shares of common stock at a conversion price equal to the lower of (i) $5.00 per share or (ii) 90% of the then market price based on a volume weighted average price per share of the Company's common stock for the ten trading days prior to the conversion date. The note bears interest at a rate of 8% per annum. The noteholders did not elect to convert this note and the Company was not able to pay the balance owed upon its maturity on December 4, 2012. Therefore, the conversion feature expired and the note is currently in default bearing interest at the default rate of 18% per annum. The amount owed on this note as of December 31, 2012 was $75,000, plus $4,007 in accrued interest.

Proceeds from the note financings were allocated first to the embedded conversion option (see Note 5) that required bifurcation and recognition as a liability at fair value and then to the carrying value of the notes. The carrying value of the notes is subject to amortization, through charges to interest expense, over the term to maturity using the effective interest method. During the twelve months ended December 31, 2012 and 2011, interest expense on the notes amounted to $79,488 and $13,466, respectively. Direct finance costs allocated to the embedded derivatives were expensed in full upon issuance of the notes. Direct finance costs allocated to the notes are subject to amortization, through charges to interest expense, using the effective interest method. During the twelve months ended December 31, 2012 and 2011, interest expense related to the amortization of finance costs amounted to $25,923 and $3,795, respectively.

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are defined as financial instruments or other contracts that contain a notional amount and one or more underlying (e.g. interest rate, security price or other variable), require no initial net investment and permit net settlement. Derivative financial instruments may be free-standing or embedded in other financial instruments. Further, derivative financial instruments are initially, and subsequently, measured at fair value and recorded as liabilities or, in rare instances, assets. The Company generally does not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks. However, the Company entered into financing transactions during the years ended December 31, 2012 and 2011that gave rise to derivative liabilities. These financial instruments are carried as derivative liabilities, at fair value, in the Company's financial statements. Changes in the fair value of derivative financial instruments are required to be recorded in other income in the period of change. Accordingly, all income and expense amounts discussed below are reflected in the Company's consolidated statements of operations in other income under loss on exchange of warrants or change in fair value of derivatives.

The following table summarizes the Company's activity and fair value calculations of its derivative warrants and convertible promissory notes for the years ended December 31, 2012 and 2011.

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	Linked Common Shares to Derivative Warrants	Warrant Liability	Linked Common Shares to Promissory Notes	Compound Embedded Derivatives
Balance, December 31, 2010	—	$—	—	$—
Issuance of warrants with preferred stock financing - May 2011 Offering	153,882	$1,083,210	—	$—
Issuance of warrants in purchase of intangible assets	250	$1,760	—	$—
Change in fair value of derivatives		$(332,484)	—	$—
Balance, December 31, 2011	154,132	$752,486	—	$—
Issuance of $550,000 promissory note with compound embedded derivative - February 3, 2012	—	—	23,416	12,151
Issuance of $75,000 promissory note with compound embedded derivative - June 6, 2012	—	—	26,042	15,625
Issuance of warrants to underwriters - September 11, 2012	110,000	49,170	—	—
Exchange of warrants for common stock	(135,782)	(19,823)	—	—
Conversion of notes into common stock	—	—	(2,069,439)	(83,663)
Change in fair value of derivatives	—	(779,083)	2,557,127	67,704
Balance, December 31, 2012	128,350	$2,750	537,146	$11,817

The Company calculated the fair value of its warrant liability and compound embedded derivatives using the valuation methods and inputs described below.

Derivative Warrants
On September 11, 2012, the Company closed on a public offering of 2,200,000 shares of its common stock at an offering price of $1.00 per share and issued warrants to the underwriter to purchase 110,000 shares of common stock, which had a fair value of $49,170 (see Note 7). The Company determined that these warrants required classification as a liability and recorded this value on the balance sheet as a Warrant Liability.

In applying current accounting standards to the 153,882 warrant shares issued in the May 2011 Offering, the 110,000 warrant shares issued in the September 2012 public offering (see Note 7) and the 250 warrant shares issued in July 2011 during a customer list acquisition (see Note 3), the Company determined that the warrants require classification as a liability due to certain registration rights and listing requirements in the agreement.

The Company recorded income resulting from the change in the fair value of the warrants during the twelve months ended December 31, 2012 and 2011 in the amount of $779,083 and $332,484, respectively.

From May through August 2012, pursuant to separate private transactions with twenty-four warrant holders, the Company redeemed warrants to purchase an aggregate of 135,782 shares of common stock for the same number of shares without the Company receiving any further cash consideration. The redemptions were treated as an exchange wherein the $821,946 fair value of the newly issued common stock was recorded and the difference between that and the $19,823 carrying value of the warrants received in the exchange is recorded in the Company's consolidated statements of operations in other income under loss on exchange of warrants. As a result of the exchange, the Company recognized a loss on the exchange of these warrants in the amount of $802,123 during the twelve months ended December 31, 2012.

The derivative warrants were valued using a Binomial Lattice Option Valuation Technique (“Binomial”). Significant inputs into this technique are as follows:

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Binomial Assumptions	Inception Dates May 24 and 26, 2011	August 15, 2011	September 11, 2012	December 31, 2011	December 31, 2012
Fair market value of asset (1)	$13.20	$13.20	$0.95	$12.50	$0.22
Exercise price	$20.00	$20.00	$1.25	$20.00	$1.25
Term (2)	5.0 years	5.0 years	5.0 years	4.4--4.6 Years	4.7 years
Implied expected life (3)	4.9 years	4.9 years	4.9 years	4.4--4.6 Years	4.6 years
Volatility range of inputs (4)	64.4%--95.8%	61.9%--94.7%	50.9%--86.3%	63.4%--92.2%	45.82%--84.21%
Equivalent volatility (3)	76.90%	75.20%	65.31%	74.2%	60.20%
Risk-free interest rate range of inputs (5)	0.11%--1.81%	0.08%--0.99%	0.02%--0.96%	0.02%--0.83%	0.11%--0.72%
Equivalent risk-free interest rate (3)	0.50%	0.33%	0.22%	0.27%--0.31%	0.32%

(1) The fair market value of the asset was determined by the Company using all available information including, but not limited to the trading market price and the actual, negotiated prices paid by the independent investors in the May 2011 Offering and a private offering in December 2011.

(2) The term is the contractual remaining term, allocated among twelve equal intervals for purposes of calculating other inputs, such as volatility and risk-free rate.

(3) The implied expected life, and equivalent volatility and risk-free interest rate amounts are derived from the Binomial.

(4) The Company does not have a market trading history upon which to base its forward-looking volatility. Accordingly, the Company selected peer companies that provided a reasonable basis upon which to calculate volatility for each of the intervals described in (1), above.

(5) The risk-free rates used for inputs represent the yields on zero coupon US Government Securities with periods to maturity consistent with the intervals described in (1), above.

Compound Embedded Derivative

The Company concluded that the compound embedded derivative in its $550,000 senior secured promissory note issued on February 3, 2012 and its $75,000 convertible promissory note as modified on June 6, 2012 (see Note 4) required bifurcation and liability classification as derivative financial instruments as they were not considered indexed to the Company's own stock as defined in ASC 815, Derivatives and Hedging. From October 2012 through December 2012, the noteholders on the Company's $550,000 senior secured promissory note converted $437,850 of note value into 2,069,439 shares of common stock at an average conversion rate of $.21 per share. The Company recorded the related $83,663 value of the compound embedded derivative on the converted portion as a charge to additional paid-in capital. The Company recorded expense resulting from the change in the fair value of the compound embedded derivatives during the twelve months ended December 31, 2012 in the amount of $67,704.

The Monte Carlo Simulation (“MCS”) technique was used to calculate the fair value of the compound embedded derivatives because it provides for the necessary assumptions and inputs. The MCS technique, which is an option-based model, is a generally accepted valuation technique for valuing embedded conversion features in hybrid convertible notes, because it is an open-ended valuation model that embodies all significant assumption types, and ranges of assumption inputs that the Company agrees would likely be considered in connection with the arms-length negotiation related to the transference of the instrument by market participants. In addition to the typical assumptions in a closed-end option model, such as volatility and a risk free rate, MCS incorporates assumptions for interest risk, credit risk and redemption behavior. In addition, MCS breaks down the time to expiration into potentially a large population of time intervals and steps. However, there may be other circumstances or considerations, other than those addressed herein, that relate to both internal and external factors that would be considered by market participants as it relates specifically to the Company and the subject financial instruments. The effects, if any, of these considerations cannot be reasonably measured, quantified or qualified.

The following table shows the summary calculations arriving at the compound embedded derivative values as of February 3, 2012, June 6, 2012 and December 31, 2012. See the assumption details for the composition of these calculations.

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Compound Embedded Derivative	February 3, 2012	June 6, 2012	December 31, 2012
Notional amount	$505,785	$75,000	$106,355
Conversion price	21.60	2.88	0.20
Linked common shares (1)	23,416	26,042	537,146
MCS value per linked common share (2)	0.52	0.60	0.02
Total	$12,151	$15,625	$11,817

(1) The Compound Embedded Derivative is linked to a variable number of common shares based upon a percentage of the Company's closing stock price as reflected in the over-the-counter market. The number of linked shares will increase as the trading market price decreases and will decrease as the trading market price increases. The fluctuation in the number of linked common shares will have an effect on fair values in future periods.

(2) The Note embodied a contingent conversion feature that was predicated upon a financing transaction that was planned for a date between the issuance date and March 2, 2012. If the financing occurred, the maturity date of the Note was August 2, 2012. If the financing did not occur, the maturity date of the Note was February 2, 2013. While, in hindsight, the financing did not occur, the calculation of value must consider that on the issuance date the contingency was present and resulted in multiple scenarios of outcome as it related to the conversion feature subject to bifurcation. The mechanism for building this contingency into the MCS value was to perform two separate calculations of value and weight them on a reasonable basis.

Significant inputs into the Monte Carlo Simulation used to calculate the compound embedded derivative values as of February 3, 2012, June 6, 2012 and December 31, 2012 are as follows:

Monte Carlo Assumptions	Inception Date February 3, 2012	Inception Date June 6, 2012	December 31, 2012
Fair market value of asset (1)	$12.50	$3.20	$0.22
Conversion price	$21.60	$2.88	$0.20
Term (2)	.5 - 1 year	0.60 years	0.09 years
Implied expected life (3)	0.74 years	0.58 years	0.09 years
Volatility range of inputs (4)	44.23%--70.30%	53.54%--68.00%	16.12%--40.17%
Equivalent volatility (3)	55.9%	59.2%	30.7%
Risk adjusted interest rate range of inputs (5)	10.00%--30.95%	7.62%--12.33%	10.00%
Equivalent risk-adjusted interest rate (3)	16.43%	9.33%	10.00%
Credit risk-adjusted interest rate (6)	12.71%	15.74%	15.63%

(1) The fair market value of the asset was determined by management using all available information including, but not limited to, the trading market price and the actual, negotiated prices paid by a private investor in December 2011.

(2) The term is the contractual remaining term, allocated among twelve equal intervals for purposes of calculating other inputs, such as volatility and risk-free rate.

(3) The implied expected life, and equivalent volatility and risk-free risk-adjusted interest rate amounts are derived from the MCS.

(4) The Company does not have a market trading history upon which to base its forward-looking volatility. Accordingly, the Company selected peer companies that provided a reasonable basis upon which to calculate volatility for each of the intervals described in (1) above.

(5) CED's bifurcated from debt instruments are expected to contain an element of market interest risk. That is, the risk that market driven interest rates will change during the term of a fixed rate debt instrument.

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(6) The Company utilized a yield approach in developing its credit risk assumption. The yield approach assumes that the investor's yield on the instrument embodies a risk component, generally, equal to the difference between the actual yield and the yield for a similar instrument without regard to risk.

NOTE 6. COMMITMENTS & CONTINGENCIES

Lease Commitments
Operating Leases
In December 2012, the Company moved its corporate headquarters to 1000 Legion Place, Suite 1600, in Orlando, Florida upon the expiration of its former lease. The Company entered into a one year sub-lease agreement for these premises with total rent owed of $85,000 payable in two equal installments.

In July 2011, the Company entered into three separate agreements to rent satellite sales office space in New York City, Chicago and Los Angeles through short-term rental agreements. The leases for Chicago and Los Angeles expired in 2012 and the lease for New York City is continuing on a month-to-month basis after its initial term of one year ended on July 31, 2012. The Company is obligated to pay applicable sales taxes and utilities along with the monthly rental payment.

Capital Leases
During 2010 and 2011, the Company entered into capital leases for equipment which expire in June 2012 and August 2014, respectively. The balance outstanding under the leases are disclosed in the current and long-term portion of capital lease obligations on the accompanying balance sheet was $27,850 and $52,920 at December 31, 2012 and December 31, 2011, respectively. See Note 2 for more information on the Company's equipment under capital leases.

A summary of future minimum lease payments under the Company's non-cancelable leases as of December 31, 2011 is as follows:

Year ending December 31:	Capital Leases		Operating Leases
2013	$21,599		$81,458
2014	10,799		
Total minimum lease payments	32,398		$81,458
Less amount representing interest	(4,548	)	
Total principal lease payments	27,850		
Less current maturities	(17,638	)	
Total long term obligations	$10,212		

Total rent expense recorded in general and administrative expense in the accompanying statements of operations was approximately $329,000 and $287,000 for the twelve months ended December 31, 2012 and 2011, respectively.

Retirement Plans
In December 2007, the Company introduced a 401(k) plan that covered all eligible employees. The Company matches participant contributions in an amount equal to 50% of each participant's contribution up to 8% of the participant's salary. The participants become vested in 20% annual increments after 2 years of service. During the twelve months ended December 31, 2012 and 2011, the Company incurred $40,405 and $20,239, respectively, in expense for matching employer contributions.

Litigation

From time to time, the Company may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may harm the Company's business.

On October 17, 2012, Blue Calypso, Inc. filed a complaint against the Company in the U.S. District Court for the Eastern District of Texas accusing the Company of infringing a patent related to peer-to-peer advertising between mobile communication devices seeking unspecified damages. The Company made a request that the Texas court transfer the matter to the Middle District of Florida, but no ruling has yet been made on that motion. At this stage, the Company does not have an estimate of the likelihood or the amount of any potential exposure to it. The Company believes that there is no merit to this suit and intends to vigorously defend itself.

The Company is currently not aware of any other legal proceedings or claims that it believes would or could have, individually or in the aggregate, a material adverse effect on its operations or financial position.

NOTE 7. STOCKHOLDERS' DEFICIT

Share Exchange and Cancellation
Pursuant to the Share Exchange Agreement on May 12, 2011 (the "Exchange") between the Company and the shareholders of IZEA, all of the issued and outstanding capital stock of IZEA was transferred to the Company in exchange for 562,500 shares (approximately 64.29%) of the Company's common stock. Additionally, immediately prior to the exchange, IZEA had outstanding options to purchase an aggregate of 3,712,365 shares of Series A common stock and outstanding warrants to purchase 3,324 shares of Series A common stock. Upon closing of the Exchange, the Company assumed the outstanding options of IZEA and authorized the issuance of 92,823 replacement options to these option-holders pursuant to the Company's 2011 Equity Incentive Plan. Furthermore, upon closing of the Exchange, the Company assumed the outstanding warrants of IZEA and authorized the issuance of replacement warrants to purchase 84 shares of its common stock to the former warrant-holder.

Immediately following the closing of the Exchange, under an Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations, the Company transferred all of its pre-exchange assets and liabilities to a wholly-owned subsidiary, RTL Holdings, Inc. and thereafter, pursuant to a stock purchase agreement, transferred all of the outstanding capital stock of RTL Holdings, Inc. to Anthony Barron, the Company's former officer and director, in exchange for the cancellation the Company's common stock he owned. Immediately after the exchange and cancellation, the Company had 312,500 shares of common stock outstanding plus the 562,500 shares issued to the IZEA shareholders for a total of 875,000 shares of common stock issued and outstanding as of May 12, 2011.

Authorization of Convertible Preferred Stock
In May 2011, the Board of Directors designated 240 shares of its Preferred Stock as Series A Preferred Stock. Each share of Series A Preferred Stock is convertible into 758 shares of common stock at the option of the preferred holder and does not have a redemption feature.

Stock Financing Transactions and Registration Rights
On May 24, 2011, May 26, 2011 and August 15, 2011, the Company entered into subscription agreements with certain investors (the “Investors”) whereby it raised $3,330,000 through the sale of 333 units (the “Units”), at a purchase price of $10,000 per Unit (the “May 2011 Offering”). Each Unit consisted of either (i) approximately 758 shares of the Company’s common stock or (ii) one share of the Company’s Series A convertible preferred stock, par value $.0001 per share, which is convertible into approximately 758 shares of common stock, plus a fully exercisable, five-year warrant to purchase approximately 455 shares of common stock for $9,091 or $20 per linked share of common stock (the “Warrants”).

As a result of the May 2011 Offering, Investors who purchased 230 Units elected to receive preferred stock and Investors who purchased 103 Units elected to receive common stock. Accordingly, the Company issued (i) 78,030 shares of common stock, (ii) 230 shares of Series A preferred stock, which are linked by conversion to 174,243 shares of common stock, and (iii) 333 warrant contracts which had a fair value of $1,065,610 and are linked by exercise to an aggregate of 151,382 shares of common stock.

In connection with the May 2011 Offering, the Company incurred expenses of $286,593 for placement agent, legal and other fees. Accordingly, net cash proceeds from the May 2011 Offering amounted to $3,043,407. Additionally, the Company issued warrants to the placement agent to purchase 2,500 shares of common stock, which had a fair value of $17,600, with the same terms and conditions as the Warrants issued to the investors in the May 2011 Offering.

In May and June 2012, in accordance with the terms of the May 2011 Offering financing documents, Investors converted 225 shares of the Series A preferred stock into 170,455 shares of common stock. As of December 31, 2012, only 5 shares of the Series A preferred stock remained outstanding.

From May through August 2012, pursuant to separate private transactions with twenty four warrant holders, the Company redeemed warrants to purchase an aggregate of 135,782 shares of common stock for the same number of shares without the Company receiving any further cash consideration. These transactions were effected in order to reduce the substantial overhang represented by the warrants issued in the May 2011 Offering. As a result of the exchange, the Company recognized a loss on the exchange of these warrants in the amount $802,123 during the twelve months ended December 31, 2012 (see Note 5).

On May 8 and 15, 2012, the Company sold a total of 274,224 shares of its common stock at a purchase price of $5.00 per share, receiving gross proceeds of $1,371,120, in a private placement to accredited investors, pursuant to the terms of a Common Stock

IZEA, Inc.
Notes to Consolidated Financial Statements

Purchase Agreement. The Company incurred expenses of $149,262 in regards to the private placement and thus received $1,221,858 in net proceeds. Pursuant to the terms of a Registration Rights Agreement, the Company timely filed a registration statement with the SEC for purposes of registering the resale of the shares of common stock sold in the private placement on June 6, 2012. This registration statement was declared effective by the SEC on September 5, 2012.

On August 1, 2012, Edward H. (Ted) Murphy, the Company's President and Chief Executive Officer, purchased 8,000 shares of the Company's common stock directly from the Company in a private transaction approved by disinterested members of the Company's board of directors. Mr. Murphy paid a total purchase price of $19,200 or $2.40 per common share, the market price on August 1, 2012.

On August 6, 2012, Ryan S. Schram, the Company's Chief Operating Officer, purchased 8,000 shares of the Company's common stock directly from the Company in a private transaction approved by the Company's board of directors. Mr. Schram paid a total purchase price of $19,200 or $2.40 per common share, the market price on August 6, 2012.

On August 6, 2012, Brian W. Brady, a private investor who became a director of the Company on August 7, 2012, made a private investment of $100,000 for the purchase of 41,667 shares of the Company's common stock at $2.40 per share. In accordance with the terms of the stock subscription agreement, if the Company's future public offering as discussed below was priced and sold below $2.40 per share within 120 days following the closing of his investment, the Company would issue additional shares to him, effectively adjusting the purchase price per share to 10% below the public offering price, with a floor of $0.50 per share. Mr. Brady also received 35,000 shares of the Company's restricted common stock and received a $10,000 cash finance fee upon the closing of the public offering. On September 11, 2012, the Company issued an additional 69,445 shares of common stock to Mr. Brady, so that he received a total of 111,112 shares at an effective price of $0.90 per share.

On September 11, 2012, the Company closed on a public offering of 2,200,000 shares of its common stock at an offering price of $1.00 per share, receiving gross proceeds of $2,200,000. In connection with the September 2012 offering, the Company incurred expenses of $502,858 for underwriter fees, legal and other expenses. Accordingly, net cash proceeds from the September 2012 offering amounted to $1,697,142. Additionally, the Company issued warrants to the underwriter to purchase 110,000 shares of common stock, which had a fair value of $49,170 that was recorded as an additional cost of the offering. The warrants are fully exercisable after August 23, 2013 at an exercise price of $1.25 per share and expire on August 23, 2017.

Convertible Securities
From October 2012 through December 2012, the noteholders on the Company's $550,000 senior secured promissory note converted $437,850 of note value into 2,069,439 shares of common stock at an average conversion rate of $.21 per share. The Company recorded the related $83,663 value of the compound embedded derivative on the converted portion as a charge to additional paid-in capital.

Stock Issued for Services
On May 24, 2011, the Company entered into an investor relations agreement, as amended, with a consulting company to provide investor relations services, including an investor marketing campaign, during 2011. In accordance with the agreement, the Company paid $1,190,000 in cash with proceeds from the May 2011 Offering and issued 12,500 shares of common stock valued at $165,000 based on $13.20 per common share in August 2011. The Company subsequently received a refund of $175,000 so that the net expense for these services recorded in general and administrative expense in the accompanying statements of operations in 2011 was $1,180,000.

Stock Options

In February 2007, the board of directors adopted the 2007 Equity Incentive Plan (the “2007 Plan”). The 2007 Plan allowed the Company to provide options as an incentive for employees and consultants. On May 11, 2011, the 2007 Plan was amended to increase the number available for issuance under the 2007 Plan from 2,313,317 to 4,889,829 shares of Series A common stock. In connection with a share exchange on May 12, 2011, all of the outstanding stock options to purchase 3,712,365 shares of Series A common stock under the 2007 Plan were canceled, effectively terminating the 2007 Plan. The Company simultaneously issued new stock options for 92,823 shares of common stock to the same employees under a new 2011 Equity Incentive Plan of IZEA, Inc. adopted on May 12, 2011 (the “May 2011 Plan”). The cancellation and replacement of the stock options under the 2007 Plan were accounted for as a modification of the terms of the canceled awards. There was a minimal incremental difference required to be recorded on 2,743 shares where the fair value of the replacement options exceeded the fair value of the canceled options at the date of cancellation and replacement. On May 25, 2012, upon consent from holders of a majority of the Company's outstanding voting capital stock, the Company increased the number of common shares available for issuance under the May 2011 Plan from 177,500 to 613,715 shares. On May 25, 2012, the Board approved a cancellation of stock options for 82,542 shares of common stock granted to its three executive officers with an average exercise price of $20.00 per share, expiring in May 2016. These

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options were subsequently reissued with an exercise price of $6.00 per share (110% of the closing stock price on such date) expiring on May 25, 2017. The modification of these options did not result in any incremental compensation cost. As of December 31, 2012, 354,477 option shares have been granted and are outstanding and 1,234 have been exercised, leaving an aggregate of 258,004 shares of common stock available for future grants under the May 2011 Plan.

On August 22, 2011, the Company adopted the 2011 B Equity Incentive Plan of IZEA, Inc. (the “August 2011 Plan”) reserving for issuance an aggregate of 87,500 shares of common stock under the August 2011 Plan. As of December 31, 2012, 37,500 option shares have been granted and are outstanding, leaving 50,000 shares of common stock available for for future grants under the August 2011 Plan.

Under both the May 2011 Plan and the August 2011 Plan, the board of directors determines the exercise price to be paid for the shares, the period within which each option may be exercised, and the terms and conditions of each option. The exercise price of the incentive and non-qualified stock options may not be less than 100% of the fair market value per share of the Company’s common stock on the grant date. If an individual owns stock representing more than 10% of the outstanding shares, the price of each share of an incentive stock option must be equal to or exceed 110% of fair market value. Unless otherwise determined by the board of directors at the time of grant, the right to purchase shares covered by any options under the May and August 2011 Plans typically vest over the requisite service period as follows: 25% of options shall vest one year from the date of grant and the remaining options shall vest monthly, in equal increments over the following 3 years. The term of the options is up to 10 years. The Company issues new shares to the optionee for any stock awards or options exercised pursuant to its equity incentive plans.

A summary of option activity under the 2007 Plan for Series A common stock from January 1, 2011 through May 12, 2011, the date the 2007 Plan was canceled, is presented below:

2007 Plan

Options	Series A Common Shares		Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2010	69,970		$1.08	2.00
Granted	3,788,620		0.03	
Exercised	(13,497	)	0.03	
Forfeited	(132,728	)	0.03	
Canceled	(3,712,365	)	0.05	
Outstanding at May 12, 2011 (date Plan was canceled)	—		$—	—

During the year ended December 31, 2011, there were options exercised into 13,497 shares of the Company's Series A common stock for cash proceeds of $404 respectively. There was no intrinsic value on the options exercised during the year ended December 31, 2011.

A summary of option activity under the May and August 2011 Plans for the years ended December 31, 2012 and 2011 is presented below:

Options Outstanding	Common Shares		Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2010	—		$—	
Granted	119,707		17.09	
Exercised	(683	)	2.00	

Forfeited	(4,579)	6.18	
Outstanding at December 31, 2011	114,445	$17.61	4.4
Granted	378,293	5.74	
Exercised	(551)	2.00	
Forfeited	(100,210)	18.81	
Outstanding at December 31, 2012	391,977	$5.87	4.3
Exercisable at December 31, 2012	83,350	$6.04	4.3

IZEA, Inc.
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During the twelve months ended December 31, 2011, options were exercised into 683 shares of the Company's common stock for cash proceeds of $1,362. The intrinsic value of these options was $7,568. During the twelve months ended December 31, 2012, options were exercised into 551 shares of the Company's common stock for cash proceeds of $1,099. The intrinsic value of these options was $5,769. There is no aggregate intrinsic value on the outstanding or exerciable options as of December 31, 2012 since the weighted average exercise price exceeded the fair value on such date. In March 2012, the Company modified one employee option agreement whereby it accelerated the vesting on all the remaining 2,329 unvested shares to current day and it extended the exercise period post termination from 90 days to 180 days. The modification resulted in an incremental difference of $11,744 that was recorded and included in stock-based compensation expense during the twelve months ended December 31, 2012.

The following table contains summarized information related to nonvested stock options during the years ended December 31, 2012 and 2011 under the May and August 2011 Plans:

Nonvested Options	Common Shares		Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested at December 31, 2010	—		$—	
Granted	119,707		2.13	
Vested	(57,969	)	1.52	
Forfeited	(4,222	)	2.27	
Nonvested at December 31, 2011	57,516		$2.73	2.5
Granted	378,293		2.17	
Vested	(83,429	)	2.26	
Forfeited	(43,753	)	2.78	
Nonvested at December 31, 2012	308,627		$2.17	2.9

Total stock-based compensation expense recognized on awards outstanding during the twelve months ended December 31, 2012 and 2011 was $181,610 and $75,950, respectively. Future compensation related to nonvested awards expected to vest of $278,654 is estimated to be recognized over the weighted-average vesting period of 3 years.

Restricted Stock Issued for Services
In May 2012 and July 2012, the Company entered into seven agreements for celebrity endorsements of the Company's products and services whereby the Company paid cash of $100,000 and issued a total of 135,521 shares of restricted common stock. In the majority of the agreements, the restricted stock vested 25% immediately upon the signing of the agreements and then vests 6.25% per month over the following twelve months during the term of the agreements.

On June 12, 2012, the Company issued 1,200 shares of restricted common stock to its investors' counsel in order to pay for legal services totaling $6,000 related to the issuance of the $75,000 convertible promissory note.

On July 2, 2012, the Company issued 71,221 shares of restricted common stock to its former legal counsel in order to pay for general legal services totaling $356,103.

In August and September 2012, the Company issued 35,000 and 69,445 shares of restricted common stock as a result of a stock subscription agreement with its director, Brian Brady, as detailed above.

The following tables contain summarized information about nonvested restricted stock outstanding at December 31, 2012:

Restricted Stock	Common Shares
Nonvested at December 31, 2011	—
Granted	312,387
Vested	(263,805)
Forfeited	—
Nonvested at December 31, 2012	48,582

Total stock-based compensation expense recognized for restricted awards issued for services during the twelve months ended December 31, 2012 was $675,538 of which $313,435 is included in sales and marketing expense, $356,103 is included in general

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and administrative expense and $6,000 is included in interest expense on the consolidated statements of operations. The fair value of the services are based on the value of the Company's common stock over the term of service. Future compensation related to nonvested restricted awards expected to vest and amortization of deferred finance costs of $10,688 is estimated to be recognized over the remaining individual vesting periods of up to six months.

NOTE 8. INCOME TAXES

The components of the Company's net deferred income taxes are as follows (rounded):

	Twelve Months Ended December 31,	
	2012	2011
Deferred tax assets:		
Net operating loss carry forwards	$8,457,000	$6,836,000
Accrued expenses	32,000	37,000
Depreciation and amortization	19,000	(2,000)
Stock option and warrant expenses	51,000	3,000
Other	2,000	10,000
Gross deferred income tax assets	8,561,000	6,884,000
Valuation allowance	(8,561,000)	(6,884,000)
Total deferred income tax assets	$—	$—

The following summary reconciles differences from taxes at the federal statutory rate with the effective rate:

	Twelve Months Ended December 31,	
	2012	2011
Federal income tax at statutory rates	(34.0)%	(34.0)%
Change in deferred tax asset valuation allowance	35.9%	39.8%
Deferred state taxes	(3.5)%	(3.8)%
Non-deductible expenses:		
Meals & entertainment	0.2%	0.1%
Other	1.4%	(2.1)%
Income taxes (benefit) at effective rates	—%	—%

The Company has incurred net losses since inception. At December 31, 2012, the Company had approximately $22,526,000 in net operating loss carryforwards for U.S. federal and state income tax purposes that expire in various amounts between the years of 2026 and 2032. The Company's ability to deduct its historical net operating losses may be limited in the future due to IRC Section 382 limitations as a result of the substantial issuances of common stock in 2012. The change in valuation allowance for the years ended December 31, 2012 and 2011 was an increase of $1,677,000 and $1,583,000, respectively, resulting primarily from net operating losses generated during the periods.

NOTE 9. LOSS PER COMMON SHARE

Net losses were reported during the twelve months ended December 31, 2012 and 2011. As such, the Company excluded the following items from the computation of diluted loss per common share as their effect would be anti-dilutive:

	Twelve Months Ended December 31,	
	2012	2011

Stock options	391,977	114,445
Warrants	128,434	154,216
Potential conversion of Series A convertible preferred stock	3,788	174,243
Potential conversion of promissory note payable	537,146	—
Total excluded shares	1,061,345	442,904

IZEA, Inc.
Notes to Consolidated Financial Statements

NOTE 10. RELATED PARTY TRANSACTIONS

As part of the Company’s May 2011 Offering, as more fully discussed in Note 7, the Company sold an aggregate of $50,000 worth of Units to Edward H. (Ted) Murphy, the Company's President and Chief Executive Officer and an entity under his control.

On August 1, 2012, Mr. Murphy purchased 8,000 shares of the Company's common stock directly from the Company in a private transaction approved by disinterested members of the Company's board of directors. Mr. Murphy paid a total purchase price of $19,200 or $2.40 per common share, the market price on August 1, 2012.

On August 6, 2012, Ryan S. Schram, the Company's Chief Operating Officer, purchased 8,000 shares of the Company's common stock directly from the Company in a private transaction approved by the Company's board of directors. Mr. Schram paid a total purchase price of $19,200 or $2.40 per common share, the market price on August 6, 2012.

On August 6, 2012, Brian W. Brady, a private investor who became a director of the Company on August 7, 2012, made a private investment of $100,000 for the purchase of 41,667 shares of the Company's common stock at $2.40 per share. In accordance with the terms of the stock subscription agreement, if the Company's future public offering as discussed below was priced and sold below $2.40 per share within 120 days following the closing of his investment, the Company would issue additional shares to him, effectively adjusting the purchase price per share to 10% below the public offering price, with a floor of $0.50 per share. Mr. Brady also received 35,000 shares of the Company's restricted common stock and received a $10,000 cash finance fee upon the closing of the public offering. On September 11, 2012, the Company issued an additional 69,445 shares of common stock to Mr. Brady, so that he received a total of 111,112 shares at an effective price of $0.90 per share.

On December 26, 2012, Mitchel Laskey was elected to the Company's Board of Directors. He was then appointed as the Chairman of the Board and Chairman of the Audit Committee. Upon his appointment, the Board approved a twelve month compensation arrangement whereby Mr. Laskey will receive $10,000 cash per month, 60,000 restricted stock units in January 2013, 60,000 restricted stock units on June 27, 2013 and up to 120,000 additional restricted stock units to be issued at the discretion of the disinterested members of the compensation committee for Mr. Laskey's service as Chairman of the Board.

NOTE 11. SUBSEQUENT EVENTS

No material events have occurred since December 31, 2012 that require recognition or disclosure in the financial statements, except as follows:

The Company entered into an agreement with a firm who will provide investor relations services for the Company for twelve months beginning January 3, 2013. In accordance with the agreement, the Company will pay the firm $4,000 per month for twelve months beginning January 2013 and will issue 100,000 shares of common stock on or before January 15, 2013 and another 100,000 shares of common stock on or before July 15, 2013.

On February 4, 2013, the Company satisfied all of its remaining obligations under its $550,000 senior secured promissory note when the noteholders converted the final balance owed of $112,150 into 773,983 shares of common stock at an average conversion rate of $.145 per share.

On February 6, 2013, the Company's Board of Directors and holders of a majority of the outstanding shares of common stock of the Company approved an increase in the number of authorized shares of common stock of the Company from 12,500,000 shares to 100,000,000 shares (the “Share Increase”). The Company amended its Articles of Incorporation to effect the Share Increase by filing a Certificate of Amendment with the Nevada Secretary of State on February 11, 2013. Additionally, on February 6, 2013, the Board amended its May 2011 Plan to increase the number of common shares available for issuance thereunder from 613,715 shares to 11,613,715 shares.

On March 1, 2013, the Company entered into a secured credit facility agreement with Bridge Bank, N.A. of San Jose, California. Pursuant to this agreement, the Company may submit requests for funding up to 80% of its eligible accounts receivable up to a maximum advance of $1.5 million. The agreement requires the Company to pay an annual facility fee of $7,500 (0.5% of the credit facility) and an annual due diligence fee of $1,000. Interest accrues on the advances at the prime rate plus 2% per annum. The default rate of interest is prime plus 7%. If the agreement is terminated prior to March 1, 2014, then the Company will be required to pay a termination fee of $18,750 (1% of the credit limit divided by 80%). As of March 22, 2013, the Company had $185,470 outstanding under this agreement.

On March 18, 2013, the Company entered into an agreement with a consultant to provide business advisory and support services. In exchange for the services, the Company granted the consultant a stock option to purchase 1,000,000 shares of common stock at an exercise price of $0.25 per share. The option vests in equal quarterly installments of 62,500 over 4 years beginning on March 18, 2013 and expires 10 years after the date of grant. Additionally, the Company will accrue a fee of $10,000 per month that will become due and payable after the Company raises gross proceeds of at least $1,000,000 through new debt or equity financing. This agreement may be terminated at any time by either party without penalty and all accrued but unpaid fees will be immediately due and payable. Upon a termination of the consulting agreement, the option agreement will be canceled as to any unvested options and all accrued and vested options will be deemed as earned and owed.

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ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

3.1		Articles of Incorporation (Incorporated by reference to the Company's registration statement on Form S-1 filed with the Securities and Exchange Commission on July 2, 2010)
3.2		Certificate of Amendment to the Articles of Incorporation (Incorporated by reference to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on February 15, 2013)
3.3		Certificate of Amendment to the Articles of Incorporation (Incorporated by reference to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on May 16, 2011)
3.4		Bylaws (Incorporated by reference to the Company's registration statement on Form S-1 filed with the Securities and Exchange Commission on July 2, 2010)
3.5		Certificate of Designation (Incorporated by reference to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on May 27, 2011)
3.6		Amendment to Certificate of Designation (Incorporated by reference to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on May 27, 2011)
3.7		Certificate of Change of IZEA, Inc., filed with the Nevada Secretary of State on July 30, 2012 (Incorporated by reference to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on August 1, 2012).
10.1		Agreement between the Company and Mitchel Laskey dated December 26, 2012 (Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2013).
10.2		Amended 2011 Equity Incentive Plan as of February 6, 2013 (Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2013).
10.3		Financing Agreement between the Company and Bridge Bank dated March 1, 2013 (Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2013).
21.1		List of Subsidiaries (Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2013).
31.1	*	Section 302 Certification of Principal Executive Officer
31.2	*	Section 302 Certification of Principal Financial Officer
32.1	**	Section 906 Certification of Principal Executive Officer
32.2	**	Section 906 Certification of Principal Financial Officer
101	***	The following materials from IZEA, Inc.'s Annual Report on Form 10-K/A for the year ended December 31, 2012 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Stockholders' Deficit, (iv) the Consolidated Statements of Cash Flow, and (iv) Notes to the Consolidated Financial Statements.

* Filed herewith.

** In accordance with Item 601of Regulation S-K, this Exhibit is hereby furnished to the SEC as an accompanying document and is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933.

*** In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K/A shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

IZEA, Inc.
A Nevada Corporation

/s/ Edward H. (Ted) Murphy	October 29, 2013
Edward H. (Ted) Murphy	
President and Chief Executive Officer	
(Principal Executive Officer & Principal Financial Officer)	