IZEA, Inc.
Form 424B1
September 06, 2012

PROSPECTUS Filed Pursuant to Rule 424(b)(1)
Registration No. 333-181916
2,200,000 Shares
Common Stock

We are offering 2,200,000 shares of our common stock.
Our common stock is quoted on the OTCQB marketplace and currently trades under the symbol "IZEA." The last reported sale price of our common stock on the OTCQB marketplace on September 5, 2012 , was $1.80 per share.
The registration statement of which this prospectus forms a part also registers on behalf of selling stockholders a total of 274,224 shares of our common stock purchased from us in a private placement in May 2012. Aegis Capital Corp. acted as placement agent for our May 2012 private placement. The shares of our common stock offered by the selling stockholders are not part of or conditioned on the closing of our public offering.
All share and per share information for our common stock or common stock equivalents issued on or after May 12, 2011 in this prospectus reflects, and where appropriate, is restated for a 1-for-40 reverse stock split of our outstanding shares of common stock that became market effective on August 1, 2012.

An investment in our securities involves a high degree of risk. Persons should not invest unless they can afford to lose their entire investment. See "Risk Factors" beginning on page 11 of this prospectus.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Public Offering Price	Underwriting discount and commissions (1)	Proceeds, before expenses, to us
Per share of common stock	$1.00	$0.07	$0.93
Total	$2,200,000	$154,000	$2,046,000

(1) See "Underwriting" for a description of compensation payable to the underwriter and for factors to be considered in determining the public offering price of our shares.
We have granted the underwriter a 45-day option to purchase up to 330,000 additional shares of our common stock solely to cover over-allotments, if any.
The underwriter expects to deliver our common stock to purchasers in the offering on or about September 11, 2012.
Aegis Capital Corp

The date of this prospectus is September 6, 2012

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You should rely only on the information contained in this prospectus in deciding whether or not to purchase our shares. We have not authorized anyone to provide you with information different from that contained in this prospectus.

Notice to California investors: Each purchaser of securities in California must meet at least one of the following suitability standards:

- a $150,000 liquid net worth (a net worth exclusive of home, home furnishings and automobile), plus estimated $70,000 gross income during the current tax year; or
- a $250,000 liquid net worth and an investment limitation of not more than 10% of the investor's liquid net worth.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. It is not complete and does not contain all of the information that you should consider before investing in our common stock. Before making a decision to purchase our shares, you should read this entire prospectus, including the financial statements and related notes, and risk factors.

Our Mission

Our mission is to empower everyone to value and exchange content, creativity and influence.

Our Company

We are a leading company in the growing social media sponsorship (SMS) segment of social media, operating multiple marketplaces that include our premier platforms SocialSpark, SponsoredTweets and WeReward, as well as our legacy platforms PayPerPost and InPostLinks. We recently launched a new SMS platform called Staree and a display advertising network to use within our platforms called IZEAMedia. SMS is when a company compensates a social media publisher to share sponsored content within their social network. Our premier platforms are the focus of our current business for which we are actively developing new features. We generate our primary revenue through the sale of SMS to our advertisers. We fulfill the SMS transaction through our marketplace platforms by connecting our social media publishers such as bloggers, tweeters and mobile application users with our advertisers.

Our platforms take the concepts of product placement and endorsements commonly found in movies, television and radio and apply them to the social web. We democratize the brand sponsorship process, allowing everyone from college students and stay at home moms to celebrities an opportunity to monetize their content, creativity and influence in social media.

We believe that we pioneered the concept of a marketplace for SMS in 2006 with the launch of PayPerPost and have focused on the scalable monetization of social media ever since. We compensate bloggers, tweeters and mobile promoters (our social media publisher-partners) to share information about companies, products, websites and events within their social media content streams. Advertisers benefit from buzz, traffic, awareness and sales. Social media publishers earn cash, points and product samples.

Each platform we operate is designed to facilitate SMS transactions in a way that is natural to its specific media format. Advertisers can utilize a single platform to fill a specific need or combine platforms with each other to execute an integrated social media campaign. All of our platforms can be activated and used in a self-serve fashion or with the assistance of our account management team.

Our Premier Platforms

Our premier platforms are described below:

	SocialSpark	SponsoredTweets	WeReward
Media Format	Blog posts	Status updates	Actions / check-ins
Content	Long form text/video content	Short form text content	Short form text & photo content
Best used for	• In-depth reviews • Buzz • Long term traffic generation • E-commerce "Deals"	• Short term traffic generation • Buzz • Awareness	• Driving purchases • Customer data • Short term traffic generation
Payment Model	• Cost per blog post • Cost per purchase	• Cost per tweet • Cost per click	• Cost per action
Targeting	• Blog traffic • Blog category / keywords • Blogger country	• Tweeter followers • Tweeter category / keywords • Tweeter country	• Mobile user current location • Mobile user age / sex
Metrics Gathered	• Impressions / CPM • Clicks / CPC • CTR • Cost per action / sale	• Followers / CPMF • Clicks / CPC • Engagement • Cost per action / sale	• Cost per action / sale • Revenue generated / ROI • Loyalty
Effective Media Lifespan	Years	1-2 Days	1-2 Days (media) Years (data)
Works best for	• Complex products • Distribution of embeds • Evergreen products/brands • E-commerce "deals"	• Time sensitive product launches • Celebrity engagement • Viral content	• Driving specific actions • Customer data gathering • Building loyalty

We streamline the process of completing SMS through our proprietary technology, creating efficiencies and economies of scale for both advertisers and publishers. We utilize a common design methodology in each platform, which we have honed over our six years of operation. Each platform provides advertisers with access to a large network of publishers, workflow management, content control, payment processing, performance tracking and FTC legal compliance. This methodology enables us to offer greater monetization opportunities to our publishers through a marketplace that provides an integrated FTC compliance framework, work-flow management and automated transaction processing. In particular, the integrated FTC compliance framework requires publishers to provide disclosure to their readers with respect to the sponsored nature of the content and allows advertisers to review the content for FTC compliance.

We perform account management services for our advertisers to manage their advertising campaigns. This includes working with advertisers to optimize the advertising offer that is presented to publishers that will give publishers clear instructions on what is required to fill the advertiser's opportunity, identifying and sourcing the publishers that are the best fit for the opportunity, managing the offer and acceptance process with the publishers, verifying that the publishers' content, once submitted, meets the requirements of the opportunity and managing the overall campaign to meet the goals of the advertiser. Account managers also provide clients with weekly updates on their campaign that include campaign metrics and all postings they purchased throughout the campaign. Additionally, they put together full campaign recaps at the end of the campaign and work with the advertisers on plans for any follow-up campaign after the initial campaign has ended.

In all platforms, advertisers, or our account management staff, acting on the advertisers' behalf as part of the account management services we provide to advertisers for a fee, have the ability to review the publishers' content to verify whether or not it conforms to the requirements of the advertising opportunity. Our SocialSpark and SponsoredTweets platforms provide for the ability to review publishers' content prior to publishing, and all the other platforms provide for a review after the content is published. If the content does not conform, the publisher is requested to make any necessary adjustments. If the publisher refuses, the advertising opportunity is deemed to have been withdrawn. Neither the advertiser nor our account management staff modify publishers' content without the publishers' involvement and consent.

The value proposition we offer to both advertisers and social media publishers strengthens our position as a trusted partner and allows us to derive revenue from both customer bases. As more brand advertisers utilize our marketplaces, we increase the breadth and depth of monetization opportunities for publishers, attracting more publishers and further enhancing the value of our service advertisers.

We have more than 80,000 registered advertisers in over 155 different countries, of which approximately 6,000, 7,000 and 3,500 advertisers created an SMS opportunity during 2010, 2011 and through June 30, 2012, respectively. Advertisers that have used our services include top brands such as Coca-Cola, AT&T, Microsoft, Kraft, HP, Walmart, Kia, LG, Audi, Volvo, Hilton, Walgreens, Hershey and Sony. We have over 800,000 registered social media publishers in over 179 different countries, of which approximately 63,000, 81,000 and 50,000 publishers performed an SMS transaction during 2010, 2011 and through June 30, 2012, respectively, including high-profile celebrities such as Kim Kardashian, Diddy, Rainn Wilson, Mario Lopez, Tyrese, Michael Ian Black and Bow Wow.

Our total number of registered publishers may be higher than the number of our actual individual publishers because some publishers have multiple registrations, other publishers may have died or become incapacitated and others may have registered under fictitious names. Our publishers currently publish sponsored content to blogs, Twitter, Facebook and Foursquare and reach other existing platforms such as Tumblr, LinkedIn, Google and Bing through syndication of that content.

To date, we have completed over 3.0 million social media transactions for customers ranging from small local businesses to Fortune 50 organizations. We consider each individual sponsored blog post, tweet, action or other status update as an individual transaction so long as the publisher of that content is being compensated for such post, tweet or other status update.

We derive more than 80% of our revenue from advertisers for the use of our network of social media publishers to fulfill advertiser sponsor requests for a blog post, tweet, click, purchase or action. We derive the remaining portion of our revenue from various service fees charged to advertisers and publishers and media revenue. Service fees to advertisers include fees charged for management of advertising campaigns through our platforms and inactivity fees for dormant accounts. Service fees to publishers include upgrade account fees for obtaining greater visibility to advertisers in advertiser searches in our platforms, early cash out fees if a publisher wishes to be paid sponsorship fees without having met certain minimum balance thresholds and inactivity fees for dormant accounts. We are currently in the early stages of developing an additional revenue stream from targeted display advertising on blogs through the IZEAMedia network. Targeted display advertising is the ability to segment audiences individually by demographic, behavioral, contextual, or geographic means to display the most relevant advertisement to the segment. This display advertising is designed to complement a social media sponsorship campaign on our platforms. Although no assurance can be given, we believe that this network could represent up to 5% of our revenue by the end of 2012.

Our Industry

Despite the inherently conversational nature of social media, many brand budgets are currently allocated towards display advertising (banner ads and text links) on social sites. While most advertisers understand the value of word of mouth marketing, peer recommendations and product reviews, few understand how to efficiently engage social media users for these purposes. Those who effectively attempt an approach are quickly limited by the amount of effort required to effectively manage and measure a truly integrated campaign.

The SMS space has been limited primarily by the current inefficiencies of the market. The social media publisher and advertiser universe is large and highly fragmented among topic, quality and platform. Despite the size of this market, most advertisers and social media publishers lack an efficient way to identify and engage each other. Instead, we believe brands have been forced to utilize a variety of highly inefficient sources and processes to navigate the complicated landscape of SMS, often resulting in low returns on their time investment or worse-yet, questionable results.

At the same time, social media publishers that would like to monetize their community are faced with significant challenges in finding quality advertisers who are motivated to sponsor them and making them aware of their blog, twitter or Facebook profile. In addition, smaller publishers simply lack the individual influence and audience needed to warrant the processing of a micro-transaction. In many cases it costs an advertiser more money to issue a check to a small publisher than the value of the sponsorship payment itself.

Further complicating the SMS process for both parties are FTC regulations around social media endorsements, IRS tax reporting generally applicable to anyone receiving income for services, and the associated campaign tracking required to provide compliance. While many advertisers would prefer to be “part of the conversation,” based on our experience operating in this market, we believe the complexity and cost of individual SMS often deters them from doing so.

We believe that the current state of SMS represents a significant corporate opportunity for us. We address these common problems with targeted, scalable marketplaces that aggregate social media publishers and advertisers. We offer an efficient, innovative way for publishers and advertisers of all sizes to find each other and complete a sponsorship transaction.

Our Strengths

Since our inception in 2006, we have worked diligently to establish and leverage key strengths in our business model, including:

A culture of innovation and creativity. We believe the only way to survive and thrive in our rapidly changing world is to change ahead of it. We are in a state of constant evolution and reinvention, this is "The IZEA Way." We have created a culture committed to innovation and creativity that challenges convention and breaks new ground. IZEA team members are protective and proud of our culture by applying its “humble, yet hungry” attitude to all facets of our business. Our people and their innovations ultimately provide us with our largest competitive advantage.

First-mover advantage with a highly disruptive business model. We believe that by pioneering the SMS space and investing heavily in innovation and marketing, we were first to develop positive rapport among publishers and brand marketers alike. This loyalty has resulted in consistent growth of underlying revenue and gross profit margin, as well as increased participation levels across the business.

Powerful network effect. As more brand marketers contribute opportunities into our marketplaces, we believe we will increase the breadth and depth of the monetization value offered to our social media publisher-partners, attracting more publishers and thereby enhancing the value of our platforms to future brand clients. Our premium platforms have referral programs designed to further enhance the network effect for each publisher we sign up. Directly trackable publisher referrals represent approximately 34% and 28% of all traffic to SponsoredTweets.com and 45% and 49% of new Twitter publisher signups in 2011 and the six months ended June 30, 2012, respectively. Directly trackable publisher referrals are new publisher signups that we receive as the result of a current publisher sharing a unique tracking link to one of our platforms. The link allows us to determine how a new publisher learned about our platform. The referral program in SocialSpark.com has accounted for 36% and 35% of all new blog publisher sign-ups in 2011 and the six months ended June 30, 2012, respectively. We paid referral fees to publishers totaling $22,819, $38,659 and $22,147 in the years ended December 31, 2010 and 2011 and the six months ended June 30, 2012, respectively. These programs amplify our marketing spending and decrease the investment required to attract new publishers.

Scalable and leverageable operations. Our unique business model allows revenue to be derived in a variety of ways, all of which rely on our marketplace approach as a hub. We have replicated this business model across multiple new product offerings without substantially increasing our operations and support expense. Moving forward, our goal is to maintain scalable growth through new offerings in the burgeoning social-mobile category.

Our Growth Strategy

After six years of development, we believe our premier platforms are market-tested and ready for growth. Our development efforts have included assembling an industry-experienced senior management team, launching and optimizing our online marketplaces, developing a cross-platform sales force and refining our message to the market. Key elements of our strategy to accelerate revenue growth and continue product development include:

Bolster our sales force and location. We expect growth of our client development team to be the primary driver of near term revenues. We intend to add additional sales personnel who receive a commission for meeting sales targets to more effectively service clients throughout the United States and the world. Experienced senior team members are expected to cultivate deep relationships with agencies and brands in our recently opened New York and Chicago offices, as well as smaller satellite locations in key markets. We intend to add inside sales personnel to our Orlando headquarters to service smaller clients over the telephone and Internet. In addition to our expanded presence in the United States, we intend to open offices in Europe by the end of 2013.

Develop strategic partnerships. Establishing strategic partnerships with companies that can provide additional growth in our base of publishers and brand advertisers. In August 2011, we announced an exclusive alliance with India's UTV to create new monetization opportunities for the estimated 12 million Twitter users in India. Under the terms of the UTV agreement, we and UTV have agreed to collaborate on an exclusive basis to develop a co-branded SponsoredTweets service for India pursuant to which we are responsible for operating the co-branded service and UTV is responsible for promoting the co-branded service. The UTV agreement provides that net revenue generated from the co-branded service will be shared between us and UTV ranging between 7.5% for us in the event all tweeters and advertisers are UTV sourced and up to 85% to us if the advertisers are sourced by us, depending on the year of the three-year agreement, with specified percentages within the range based on a combination of UTV sourced tweeters and advertisers. UTV's Indian celebrities including Lara Dutta, Mahesh Bhupati, Anurag Kashyap, Rohan Bopanna and Neetu Chandra, among others, have already signed up for the co-branded SponsoredTweets service.

Continue emphasis on product innovation. Recruiting additional engineering and product development team members to enhance our various marketplaces while developing new technology platforms that complement our mission as a company.

Seek complementary acquisitions. Identifying and acquiring companies, technologies and assets to add to our portfolio of software services and drive additional near and long-term revenue. In July 2011, we acquired Germany's Magpie Twitter advertising network that included approximately 12,000 advertisers and 20,000 Twitter publishers in 143 countries.

Develop talent relationships within Staree, our newest platform. Creating partnerships with top talent agencies around the world to target celebrities to leverage Staree, our mobile platform designed to help monetize personal social multimedia content, in their day-to-day social media strategy. In May 2012, we entered into celebrity spokesperson agreements with television personality Mario Lopez, Latin Grammy Award-winning recording artist Daddy Yankee, and actors/musicians Logan Henderson and Kendall Schmidt from the band Big Time Rush, pursuant to which they provide us with various endorsement services related to the promotion of Staree. The launch of Staree.com has been our most successful product launch to date, generating 7.4 million page views in its first 60 days, compared to 2.1 million page views for SocialSpark.com and 323 thousand page views for SponsoredTweets.com. We have completed development on a new iPhone version of the Staree mobile app. The new version enables in-app purchases of photos and is currently in the Apple App Store approval process. We expect to receive approval and begin selling in-app items during the month of August 2012.

Business Risks and Uncertainties

Our business growth, however, may be limited by a number of risks and uncertainties that we currently face, including:

- We have incurred significant net losses since our inception. We incurred net losses of $2,157,759 and $3,978,592 for the years ended December 31, 2010 and December 31, 2011, respectively. We incurred a net loss of $2,576,579 in the six months ended June 30, 2012. We expect to continue to incur losses in 2012.

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- Our ability to continue as a going concern is dependent upon attaining profitable operations through achieving revenue growth targets while bringing expenses to a level that will result in positive cash flows.

- We have a limited operating history and are subject to the risks encountered by early-stage companies.

- If we cannot obtain needed financing by the end of February 2013, we may have to curtail our operations, sell some of our assets or take any of a variety of corporate or financing actions that may dilute your financial interest or the value of your common stock.

- We have experienced rapid growth over a short time period in our SMS platforms and we do not know whether our growth can be maintained. If we are unable to successfully respond to changes in the market, our business could be harmed.

- The SMS industry is subject to numerous changes that could cause our revenue to decline.

- If we fail to retain our existing publishers and advertisers or if there is a decline for our premier social media marketing platforms, our revenue and business will be harmed.

- Since we are unable to identify the number of actual individual publishers, our total number of publishers may be higher than the number of our actual individual publishers and may not be representative of the number of persons who are active potential customers.

- Our SMS business is subject to the risks associated with word of mouth advertising and endorsements, such as violations of federal and state deceptive and unfair practice laws, “truth-in-advertising” laws and regulations, FTC Guides and other similar regulatory requirements. For example, we may be subject to liability if consumers are not aware of the paid relationship between advertiser and publisher with respect to the endorsements that they are relying on or, if we do not otherwise comply with FTC and state rules on advertising and marketing, we could be subject to penalties that could include monetary damages and an order to cease our operations.

- Our business depends on our ability to maintain and scale the network infrastructure necessary to operate our platforms and applications, and any significant disruption in service of our platforms and applications could result in a loss of publishers and advertisers.

- If our technology platforms contain defects or if we fail to detect click-fraud (“click-fraud” is a form of online fraud when a person or computer program imitates a legitimate user by clicking on an advertisement for the purpose generating a charge per click without having an actual interest in the target of the advertisement's link), we could lose the confidence of our advertisers and advertising partners, thereby causing our business to suffer.

- We do not rely upon patents for the protection of our proprietary technology and our competitors may be able to offer similar products and services which would harm our competitive position.

- There may be substantial sales of our common stock after the effective date of this registration statement relating to the 274,224 shares being registered under our selling stockholder resale prospectus, which could cause our stock price to drop (possibly below the price offered in this offering) and impair our ability to raise additional capital.

- Our common stock is quoted on the OTCQB marketplace, which is not a national securities exchange like Nasdaq. A stockholder may find it more difficult to dispose of, or to obtain accurate quotations as to the price of, our common stock, and our common stock may be less attractive for investment by larger financial institutions or as consideration in possible future acquisition transactions.

- Our senior secured promissory note has a conversion price based upon the future trading price of our common stock without any “floor” conversion price, which could result in a significant increase in the number of our outstanding shares and substantially dilute the ownership interests of existing stockholders.

Recent Developments

Election of Independent Directors

We recently added three independent board members, bringing additional industry expertise, experience and corporate governance to our company. Daniel R. Rua, a Managing Partner of Inflexion Partners, and Ed Sim, a Managing Partner of BOLDstart Ventures, share similar backgrounds as venture capital investors and board members in many early-stage and technology growth companies. Both men have extensive expertise in capital markets, as well as mergers and acquisitions having been involved in sale of their portfolio companies to large organizations within our industry.

Brian W. Brady joined our board of directors on August 7, 2012. Mr. Brady is the Founder and Chief Executive Officer of Northwest Broadcasting, Inc., which owns and operates seven television stations including FOX affiliates in four U.S. markets. Mr. Brady served on the FOX Affiliate Board for nine years, serving as Chairman for four of those years. He is also the President of Eagle Creek Broadcasting, which owns and operates a CBS affiliate in Laredo, Texas. Mr. Brady's more than 25 years of experience in the multi-media industry makes his input invaluable to us as we expand our portfolio of clients and platform offerings.

Private Investments by Executive Officers and Directors

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

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

On August 6, 2012, Brian W. Brady, a director, made a private investment of $100,000 for the purchase of 41,667 shares of our common stock at $2.40 per share. In accordance with the terms of the stock subscription agreement, if our proposed public offering is priced and sold below $2.40 per share in the next 120 days, we will issue additional shares to him, effectively adjusting the purchase price per share to 10% below the public offering price, with a floor of $.50 per share. Mr. Brady also received 35,000 shares of our restricted common stock and may receive a $10,000 cash finance fee upon the closing of any equity offering or debt financing by us with net proceeds exceeding $2.0 million.

Private Placement and Concurrent Offering

On May 8 and 15, 2012, we sold a total of 274,224 shares of our 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. Aegis Capital Corp., the underwriter in this offering, acted as the placement agent in the May 2012 private placement and received placement fees of $97,612. The registration statement of which this prospectus forms a part also registers on behalf of selling stockholders the shares of our common stock purchased from us in the May 2012 private placement. The shares of our common stock offered by the selling shareholders are not part of or conditioned on the closing of our public offering.

Corporate Background and Information

IZEA, Inc. was incorporated under the name Rapid Holdings, Inc. in Nevada on March 22, 2010. On May 12, 2011, we completed a share exchange pursuant to which we acquired all of the capital stock of IZEA Innovations, Inc., a privately held Delaware corporation (“IZEA Innovations”), which became our wholly owned subsidiary. In connection with the share exchange, we discontinued our former business and continued the SMS business of IZEA Innovations as our sole line of business. IZEA Innovations was incorporated in the state of Florida in February 2006 and reincorporated in the state of Delaware in September 2006. On November 23, 2011, our name changed from “IZEA Holdings, Inc.” to “IZEA, Inc.” and the name of our subsidiary changed from “IZEA, Inc.” to “IZEA Innovations, Inc."

Our executive offices are located at 150 North Orange Avenue, Suite 412, Orlando, Florida 32801 and our telephone number is (407) 674-6911. We maintain a corporate website at http://www.izea.com. The contents on our website and the downloadable files found there are not incorporated by reference into this prospectus and should not be considered to be a part of this prospectus.

THE OFFERING

Common stock offered:	2,200,000 shares of common stock (2,530,000 shares if the underwriter exercises its over-allotment option).
Common stock outstanding before the offering:	1,848,015 shares
Common stock to be outstanding after the offering:	4,048,015 shares (1)
Use of proceeds:	We intend to use the net proceeds of this offering, which we expect to be approximately $1,784,000, for sales and client relations, marketing, technology and platform engineering and working capital and general corporate purposes. For a more complete description of our anticipated use of proceeds from this offering, see “Use of Proceeds.”
OTCQB symbol:	IZEA
Risk factors:	As part of your evaluation of our company, you should take into account not only our business plan and strategy, but also special risks we face in our business, including those described under “Business Risks and Uncertainties” on page 6. For a detailed discussion of these and other risks, see “Risk Factors” beginning on page 11.

(1) Includes 2,200,000 shares to be issued in this offering at a public offering price of $1.00 per share.

The number of shares of our common stock to be outstanding after this offering is based on 1,848,015 shares of common stock outstanding as of September 5, 2012 , and excludes as of that date:

- 5 shares of series A preferred stock convertible into an aggregate of 3,788 shares of common stock;
- warrants to purchase an aggregate of 18,434 shares of common stock;
- stock options to purchase an aggregate 396,932 shares of common stock, and an aggregate of 253,053 additional shares of common stock reserved for future issuance under our 2011 Equity Incentive Plan of IZEA, Inc. adopted on May 12, 2011 (the “May 2011 Equity Incentive Plan”) and an aggregate of 50,000 shares of common stock reserved for future issuance under our 2011 B Equity Incentive Plan of IZEA, Inc. adopted on August 22, 2011 (the “August 2011 Equity Incentive Plan”);
- 83,333 shares of common stock that may become issuable upon the conversion of our convertible promissory note in the principal amount of $75,000, assuming a conversion price of $0.90 per share; and
- 611,112 shares of common stock that may become issuable upon the conversion of our senior secured promissory note in the principal amount of $550,000, assuming a conversion price of $0.90 per share.

Unless otherwise specifically stated, all information in this prospectus assumes (i) no exercise of the underwriter's over-allotment option or the underwriter's warrant, (ii) no exercise of outstanding stock options or warrants to purchase shares of our common stock, and (iii) no conversion of outstanding preferred stock, the $75,000 convertible promissory note or the $550,000 senior secured promissory note into shares of our common stock.
All share and per share information for our common stock or common stock equivalents issued on or after May 12, 2011 in this prospectus reflects, and where appropriate, is restated for a 1-for-40 reverse stock split of our outstanding

shares of common stock that became market effective on August 1, 2012.

SELECTED SUMMARY FINANCIAL DATA

The following table summarizes the relevant financial data for our business and should be read with our financial statements and related notes, which are included in this prospectus.

	Six Months Ended June 30, (Unaudited)		Years Ended December 31,	
Consolidated Statement of Operations Data:	2012	2011	2011	2010
Revenue	$2,849,385	$1,768,679	$4,347,235	$3,821,538
Cost of sales	1,159,771	822,734	1,951,571	1,819,031
Total operating expenses	4,269,347	2,207,965	6,682,452	4,085,647
Total other income (expense)	(176,846)	14,797	308,196	(74,619)
Net loss	$(2,756,579)	$(1,247,223)	$(3,978,592)	$(2,157,759)
Loss per common share - basic and diluted	$(2.46)	$(4.59)	$(6.49)	$(3.34)
Weighted average common shares outstanding - basic and diluted	1,121,466	271,683	612,791	645,602

The following table summarizes our balance sheet data as of June 30, 2012 as reported and as adjusted. The as adjusted information gives effect to the receipt of net proceeds of approximately $1,784,000 from the sale of 2,200,000 shares of our common stock at a public offering price of $1.00 per share.

	As of June 30, 2012	
Consolidated Balance Sheet Data:	Actual (unaudited)	As Adjusted for this Offering (unaudited)
Cash and cash equivalents	$190,225	$1,974,225
Working capital (deficit)	(2,302,270)	(518,270)
Total assets	1,404,754	3,188,754
Total liabilities (1)	3,490,068	3,490,068
Total stockholders' equity (deficit)	(2,085,314)	(301,314)

(1) The carrying balance of our $550,000 senior secured promissory note included in liabilities as of June 30, 2012 was $510,693.

RISK FACTORS

An investment in our shares of common stock involves a high degree of risk and should not be purchased by anyone who cannot afford to lose their entire investment. You should consider carefully the material risks set forth in this section, together with the other information contained in this prospectus, before making a decision to invest in our shares. Our business, operating results and financial condition could be seriously harmed and you could lose your entire investment by the occurrence of any of the following material risks.

Risks Related to our Business

We have a history of losses, expect future losses and cannot assure you that we will achieve profitability.

We have incurred significant net losses and negative cash flow from operations since our inception. We incurred net losses of $2,157,759 and $3,978,592 for the years ended December 31, 2010 and December 31, 2011, respectively. We incurred a net loss of $2,756,579 for the six months ended June 30, 2012, and had an accumulated deficit of $20,887,363 as of that date. Although our revenue has increased since inception, we have not achieved profitability and cannot be certain that we will be able to sustain these growth rates or realize sufficient revenue to achieve profitability. We expect to increase our revenue by over 100% by expanding our sales staff, increasing average revenue per customer and adding features to our existing platforms, as well as introducing new platforms to take advantage of social media activities. Our ability to continue as a going concern is dependent upon raising capital from financing transactions, increasing revenue by over 100% and keeping operating expenses at less than 50% of our revenue levels in order to achieve positive cash flows, none of which can be assured. If we achieve profitability, we may not be able to sustain it.

Our independent registered public accounting firm's report contains an explanatory paragraph that expresses substantial doubt about our ability to continue as a going concern.

As of June 30, 20012, our total stockholders' deficit was $2,085,314 and we had a working capital deficit of $2,302,270. Primarily as a result of our losses and limited cash balances, our independent registered public accounting firm has included in its report for the year ended December 31, 2011 an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is contingent upon, among other factors, the sale of the shares of our common stock in this offering or obtaining alternate financing. If we are not able to complete this offering or obtain alternate financing, we may be forced to limit or cease our operations.

We have a limited operating history and are subject to the risks encountered by early-stage companies.

Our operating subsidiary incorporated in the state of Florida in February 2006 as PayPerPost, Inc., reincorporated in the state of Delaware in September 2006 and changed its corporate name to IZEA, Inc. in November 2007. Because we have a limited operating history, we encounter risks and uncertainties frequently experienced by early-stage companies in rapidly evolving markets. For us, these risks include:

- risks associated with our dependence on our premier platforms, SocialSpark, SponsoredTweets, WeReward and related services, for the majority of our revenues for the foreseeable future;
- risks that our growth strategy may not be successful; and
- risks that fluctuations in our operating results will be significant relative to our revenues.

Our future growth will depend substantially on our ability to address these and the other risks described in this section. If we do not successfully address these risks, our business would be significantly harmed.

If we cannot obtain needed financing by the end of February 2013, we may have to curtail our operations, sell some of our assets or take any of a variety of corporate or financing actions that may dilute your financial interest or the value of your common stock.

Our ongoing capital needs are significant and we will need additional financing to fund continued sales and marketing and technology development of our marketplace platforms. Under a convertible promissory note we entered into in May 2012 and senior secured promissory note we entered into in February 2012, we are also required to pay $75,000 plus accrued interest on December 4, 2012 and $550,000 on February 2, 2013 upon the respective maturity dates of those notes. While we believe that our existing cash reserves and expected cash receipts will provide the funds necessary to satisfy cash requirements through at least the end of February 2013 (based upon our current plans and assumptions), we cannot guarantee that we will have the cash available to repay both of these notes when they become due. In the event that we are required to seek additional financing in the future, additional funds may not be available when needed or, if available, not on terms acceptable to our management. Current stockholders may be diluted as a result of additional financing. If we do not obtain additional financing, we may be forced to reduce planned expenditures, curtail our operations or sell some of our assets.

We have experienced rapid growth over a short period in our SMS platforms and we do not know whether this will continue to develop or whether it can be maintained. If we are unable to successfully respond to changes in the market, our business could be harmed.

Our business has grown rapidly as advertisers and publishers have increasingly used our SMS platforms. However, the SMS industry is relatively new. Given the limited history, it is difficult to predict whether our platforms will continue to grow or whether it can be maintained. We expect that the platforms will evolve in ways which may be difficult to predict. It is possible that advertisers and publishers could broadly determine that they no longer believe in the value of our current platforms. In the event of these or any other changes to the market, our continued success will depend on our ability to successfully adjust our strategy to meet the changing market dynamics. If we are unable to do so, our business, prospects, results of operation and financial condition could be materially harmed.

The SMS landscape is subject to numerous changes that could cause our revenue to decline.

Our business model may not continue to be effective in the future for a number of reasons, including the following:

- SMS is, by its nature, limited in content relative to other media;
- companies may be reluctant or slow to adopt SMS that replaces, limits or competes with their existing direct marketing efforts;
- companies may prefer other forms of advertising we do not offer, including certain forms of search engine placements;
- companies, such as Facebook and Twitter, may no longer grant us access to their websites in connection with our SMS platforms;
- companies may not utilize SMS due to concerns of “click-fraud” particularly related to search engine placements (“click-fraud” is a form of online fraud when a person or computer program imitates a legitimate user by clicking on an advertisement for the purpose generating a charge per click without having an actual interest in the target of the advertisement's link); and
- regulatory actions may negatively impact certain business practices that we currently rely on to generate a portion of our revenue and profitability.

If the number of companies that purchase SMS from us does not grow, we may experience difficulty in attracting publishers, and our revenue could decline which would have a material adverse effect on our business, prospects, results of operations and financial condition.

If we fail to retain our existing publishers, our revenue and business will be harmed.

We have over 800,000 registered social media publishers in over 179 different countries, of which approximately 63,000, 81,000 and 50,000 publishers performed an SMS transaction during 2010, 2011 and through June 30, 2012, respectively. We must continue to retain and acquire publishers that publish sponsorships through our premier platforms in order to increase revenue and achieve profitability. If publishers do not perceive our products and services to be of high value and quality or if we fail to introduce new and more relevant products and services, we may not be able to acquire or retain publishers. If we are unable to acquire new publishers in numbers sufficient to grow our business, or if publishers cease using our products and services, the revenue we generate may decrease and our operating results will be adversely affected. We believe that many of our new publishers originate from word of mouth and other referrals from existing publishers, and therefore we must ensure that our existing publishers remain loyal to our service in order to continue receiving those referrals. If our efforts to satisfy our existing publishers are not successful, we may not be able to acquire new publishers in sufficient numbers to continue to grow our business or we may be required to incur significantly higher marketing expenses in order to acquire new publishers.

If we fail to retain existing advertisers or add new advertisers, our revenue and business will be harmed.

We have more than 80,000 registered advertisers in over 155 different countries, of which approximately 6,000, 7,000 and 3,500 advertisers created an SMS opportunity during 2010, 2011 and through June 30, 2012, respectively. We depend on our ability to attract and retain advertisers that are prepared to offer products or services on compelling terms through our platforms. We must continue to attract and retain advertisers in order to increase revenue and achieve profitability. If new advertisers do not find our marketing and promotional services effective, or if existing advertisers do not believe that utilizing our platforms provides them with a long-term increase in customers, revenue or profit, they may stop advertising through our platforms. In addition, we may experience attrition in our advertisers in the ordinary course of business resulting from several factors, including losses to competitors and closures or bankruptcies. If we are unable to attract new advertisers in numbers sufficient to grow our business, or if too many advertisers are unwilling to offer products or services with compelling terms through our platforms or offer favorable payment terms to us, our operating results will be adversely affected.

A decline in the demand for our premier social media marketing platforms or related services would seriously harm our revenue and margins.

Our premier social media marketing platforms, SocialSpark, SponsoredTweets and WeReward, accounted for 51%, 70% and 81% of our revenue for the years ended December 31, 2010 and 2011 and the six months ended June 30, 2012, respectively. We anticipate that revenue from these premier platforms will continue to constitute the majority of our revenue for the foreseeable future. Consequently, a decline in demand for these platforms or their failure to achieve broad market acceptance would seriously harm our business.

Intense competition in our target market could impair our ability to grow and to achieve profitability.

The market for SMS is highly competitive. We expect this competition to continue to increase, in part because there are no significant barriers to entry to our industry. Increased competition may result in price reductions for advertising space, reduced margins and loss of market share. Our principal competitors include other companies that provide advertisers with Internet advertising solutions and companies that offer pay per click search services.

Competition for advertising placements among current and future suppliers of Internet navigational and informational services, high traffic websites and SMS providers, as well as competition with other media for advertising placements, could result in significant price competition, declining margins and reductions in advertising revenue. In addition, as we continue our efforts to expand the scope of our services, we may compete with a greater number of other media companies across an increasing range of different services, including in vertical markets where competitors may have advantages in expertise, brand recognition and other areas. If existing or future competitors develop or offer products or services that provide significant performance, price, creative or other advantages over those offered by us, our business, prospects, results of operations and financial condition could be negatively affected. We also compete with traditional advertising media, such as direct mail, television, radio, cable and print for a share of advertisers' total advertising budgets. Many current and potential competitors enjoy competitive advantages over us, such as longer operating histories, greater name recognition, larger customer bases, greater access to advertising space on high-traffic websites, and significantly greater financial, technical, sales and marketing resources. As a result, we may not be able to compete successfully. If we fail to compete successfully, we could lose customers or advertising inventory and our revenue and results of operations could decline.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, or if we receive unfavorable media coverage, our ability to expand our base of publishers and advertisers will be impaired and our business and operating results will be harmed.

We believe that the brand identity that we have developed has significantly contributed to the success of our business. We also believe that maintaining and enhancing the "IZEA" brand is critical to expanding our base of publishers and advertisers. Maintaining and enhancing our brand may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain the "IZEA" brand, or if we incur excessive expenses in this effort, our business, prospects, operating results and financial condition will be materially and adversely affected. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Unfavorable publicity or consumer perception of our platforms, applications, practices or service offerings, or the offerings of our advertisers, could adversely affect our reputation, resulting in difficulties in recruiting, decreased revenue and a negative impact on the number of advertisers and the size of our publisher base, the loyalty of our publishers and the number and variety of sponsorships we offer each day. As a result, our business, prospects, results of operation and financial condition could be materially and adversely affected.

Our total number of publishers may be higher than the number of our actual individual publishers and may not be representative of the number of persons who are active potential customers.

Our total number of publishers may be higher than the number of our actual individual publishers because some publishers have multiple registrations, other publishers may have died or become incapacitated and others may have registered under fictitious names. Given the challenges inherent in identifying these publishers, we do not have a reliable system to accurately identify the number of actual individual publishers, and thus we rely on the number of total publishers as our measure of the size of our publisher base. In addition, the number of publishers includes the total number of individuals that have completed registration through a specific date, less individuals who have unsubscribed, and should not be considered as representative of the number of persons who continue to actively publish the sponsorships we offer through our platforms.

We may become subject to government regulation and legal uncertainties that could reduce demand for our products and services or increase the cost of doing business, thereby adversely affecting our financial results.

We are not currently subject to direct regulation by any domestic or foreign governmental agency, other than regulations applicable to businesses generally and laws or regulations directly applicable to Internet commerce. However, due to the increasing popularity and use of the social media, it is possible that a number of laws and regulations may become applicable to us or may be adopted in the future with respect to the Internet covering issues such as:

- truth-in-advertising;
- user privacy;
- taxation;
- right to access personal data;
- copyrights;
- distribution; and
- characteristics and quality of services.

The applicability of existing laws governing issues such as property ownership, copyrights and other intellectual property, encryption, taxation, libel, export or import matters and personal privacy to social media platforms is uncertain. The vast majority of these laws were adopted prior to the broad commercial use of social media platforms and related technologies. As a result, they do not contemplate or address the unique issues of social media and related technologies. Changes to these laws intended to address these issues, including some recently proposed changes, could create uncertainty in the social media marketplace. Such uncertainty could reduce demand for our services or increase the cost of doing business due to increased costs of litigation or increased service delivery costs.

Our SMS business is subject to the risks associated with word of mouth advertising and endorsements, such as violations of the "truth-in-advertising," FTC Guides and other similar regulatory requirements and, more generally, loss of consumer confidence.

We do not engage in targeted or online behavioral advertising practices, nor do we compile or use information concerning consumer behavior on an individual level, but we may do so from time to time in the aggregate and on an anonymous basis to analyze our services and offerings, and better optimize them for improved business results. As the practice of targeted advertising has become increasingly scrutinized by both regulators and the industry alike, a greater emphasis has been placed on educating consumers about their privacy choices on the Internet, and providing them with the right to opt in or opt out of certain industry practices, such as targeted advertising. The common thread throughout both targeted advertising and the FTC requirements described in detail in the section "Business - Government Regulation" of this prospectus is the increased importance placed on transparency between the advertiser and the consumer -- ensuring that consumers know the difference between "information" and "advertising" on the Internet, and are afforded the opportunity to decide how their data will be used in the manner to which they are marketed. There is a risk regarding negative consumer perception "of the practice of undisclosed compensation of social media users to endorse specific products" which pertains to a risk of overall general public confidence in the FTC's ability to enforce its Guides Concerning the Use of Endorsements and Testimonials in Advertising in social media. As described in the section "Business - Government Regulation," we undertake various measures through controls across our platforms and by monitoring and enforcing our code of ethics to ensure that advertisers and publishers comply with the FTC Guides when utilizing our sites, but if competitors and other companies do not, it could create a negative overall perception for the industry. Not only will readers stop relying on blogs for useful, timely and insightful information that enrich their lives by having access to up-to-the-minute information that often bears different perspectives and philosophies, but a lack of compliance will almost inevitably result in greater governmental oversight and involvement in an already-highly regulated marketplace. If there is pervasive overall negative perception caused by others not complying with FTC Guides among its other acts, regulations and policies, then this could result in reduced revenue and results of operations and higher compliance costs for us.

New tax treatment of companies engaged in internet commerce may adversely affect the commercial use of our services and our financial results.

Due to the global nature of social media, it is possible that various states or foreign countries might attempt to regulate our transmissions or levy sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in internet commerce. New or revised international, federal, state or local tax regulations may subject us or our publishers to additional sales, income and other taxes. We cannot predict the effect of current attempts to impose sales, income or other taxes on commerce over social media. New or revised taxes and, in particular, sales taxes, VAT and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling goods and services over social media. New taxes could also create significant increases in internal costs necessary to capture data, and collect and remit taxes. Any of these events could have an adverse effect on our business and results of operations.

Failure to comply with federal, state and international privacy laws and regulations, or the expansion of current or the enactment of new privacy laws or regulations, could adversely affect our business.

A variety of federal, state and international laws and regulations govern the collection, use, retention, sharing and security of consumer data. The existing privacy-related laws and regulations are evolving and subject to potentially differing interpretations. In addition, various federal, state and foreign legislative and regulatory bodies may expand current or enact new laws regarding privacy matters. For example, recently there have been Congressional hearings and increased attention to the capture and use of location-based information relating to users of smartphones and other mobile devices. We have posted privacy policies and practices concerning the collection, use and disclosure of publisher data on our websites and platforms. Several internet companies have incurred penalties for failing to abide by the representations made in their privacy policies and practices. In addition, several states have adopted legislation that requires businesses to implement and maintain reasonable security procedures and practices to protect sensitive personal information and to provide notice to consumers in the event of a security breach. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, FTC requirements or orders or other federal, state or international privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in claims, proceedings or actions against us by governmental entities or others or other liabilities, which could adversely affect our business. In addition, a failure or perceived failure to comply with industry standards or with our own privacy policies and practices could result in a loss of publishers or advertisers and adversely affect our business. Federal, state and international governmental authorities continue to evaluate the privacy implications inherent in the use of third-party web "cookies" for behavioral advertising. The regulation of these cookies and other current online advertising practices could adversely affect our business.

Our business depends on our ability to maintain and scale the network infrastructure necessary to operate our platforms and applications, and any significant disruption in service on our platforms and applications could result in a loss of publishers or advertisers.

Publishers and advertisers access our services through our platforms and applications. Our reputation and ability to acquire, retain and serve our publishers and advertisers are dependent upon the reliable performance of our platforms and applications and the underlying network infrastructure. As our publisher base continues to grow, we will need an increasing amount of network capacity and computing power. We have spent and expect to continue to spend substantial amounts for data centers and equipment and related network infrastructure to handle the traffic on our platforms and applications. The operation of these systems is expensive and complex and could result in operational failures. In the event that our publisher base or the amount of traffic on our platforms and applications grows more quickly than anticipated, we may be required to incur significant additional costs. Interruptions in these systems, whether due to system failures, computer viruses or physical or electronic break-ins, could affect the security or availability of our platforms and applications, and prevent our publishers and advertisers from accessing our services. A substantial portion of our network infrastructure is hosted by third-party providers. Any disruption in these services or any failure of these providers to handle existing or increased traffic could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide. If we do not maintain or expand our network infrastructure successfully or if we experience operational failures, we could lose current and potential publishers and advertisers, which could harm our operating results and financial condition.

If our security measures are breached, or if our services are subject to attacks that degrade or deny the ability of users to access our platforms, our platforms and applications may be perceived as not being secure, advertisers and publishers may curtail or stop using our services, and we may incur significant legal and financial exposure.

Our platforms and applications and the network infrastructure that is hosted by third-party providers involve the storage and transmission of advertiser and publisher proprietary information, and security breaches could expose us to a risk of loss of this information, litigation, and potential liability. Our security measures may be breached due to the actions of outside parties, employee error, malfeasance, security flaws in the third party hosting service that we rely upon or otherwise, and, as a result, an unauthorized party may obtain access to our data or our advertisers' or publishers' data. Additionally, outside parties may attempt to fraudulently induce employees, advertisers or publishers to disclose sensitive information in order to gain access to our data or our advertisers' or users' data. Although we do have security measures in place, we have had instances where some publisher accounts were hacked and instances where customers have used credit cards fraudulently. While these breaches of our security did not result in material harm to our business, any future breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation, and a loss of confidence in the security of our platforms and applications that could potentially have an adverse effect on our business. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose advertisers and publishers.

Delays in releasing enhanced versions of our products and services could adversely affect our competitive position.

As part of our strategy, we expect to periodically release enhanced versions of our premier platforms and related services. Even if our new versions contain the features and functionality our customers want, in the event we are unable to timely introduce these new product releases, our competitive position may be harmed. We cannot assure you that we will be able to successfully complete the development of currently planned or future products in a timely and efficient manner. Due to the complexity of these products, internal quality assurance testing and customer testing of pre-commercial releases may reveal product performance issues or desirable feature enhancements that could lead us to postpone the release of these new versions. In addition, the reallocation of resources associated with any postponement would likely cause delays in the development and release of other future products or enhancements to our currently available products. Any delay in releasing other future products or enhancements of our products could cause our financial results to be adversely impacted.

If our technology platforms contain defects, we may need to suspend their availability and our business and reputation would be harmed.

Platforms as complex as ours often contain unknown and undetected errors or performance problems. Many serious defects are frequently found during the period immediately following introduction and initial release of new platforms or enhancements to existing platforms. Although we attempt to resolve all errors that we believe would be considered serious by our customers before making our platforms available to them, our products are not error-free. These errors or performance problems could result in lost revenues or delays in customer acceptance that would be detrimental to our business and reputation. We may not be able to detect and correct errors before releasing our product commercially. We cannot assure you that undetected errors or performance problems in our existing or future products will not be discovered in the future or that known errors, considered minor by us, will not be considered serious by our customers, resulting in a decrease in our revenues.

We may be subject to lawsuits for information by our advertisers and social media publishers, which may affect our business.

Laws relating to the liability of providers of online services for activities of their advertisers or of social media publishers (such as bloggers, mobile users and tweeters) and for the content of their advertisers' listings are currently unsettled. It is unclear whether we could be subjected to claims for defamation, negligence, copyright or trademark infringement or claims based on other theories relating to the information we publish on our websites or the information that is published across our platforms. These types of claims have been brought, sometimes successfully, against online services, as well as print publications in the past. We may not successfully avoid civil or criminal liability for unlawful activities carried out by our advertisers or social media publishers. Our potential liability for unlawful activities of our advertisers or social media publishers or for the content of our advertisers' listings could require us to implement measures to reduce our exposure to such liability, which may require us, among other things, to spend substantial resources or to discontinue certain service offerings. Our insurance may not adequately protect us against these types of claims and the defense of such claims may divert the attention of our management from our operations. If we are subjected to such lawsuits, it may adversely affect our business.

If we fail to detect click-fraud, we could lose the confidence of our advertisers and advertising partners as a result of lost revenue to advertisers or misappropriation of proprietary and confidential information, thereby causing our business to suffer.

“Click-fraud” is a form of online fraud when a person or computer program imitates a legitimate user by clicking on an advertisement for the purpose generating a charge per click without having an actual interest in the target of the advertisement's link. We are exposed to the risk of fraudulent or illegitimate clicks on our sponsored listings. The security measures we have in place, which are designed to reduce the likelihood of click-fraud, detect click-fraud from time to time. While the instances of click-fraud that we have detected to date have not had a material effect on our business, click-fraud could result in an advertiser experiencing a reduced return on their investment in our advertising programs because the fraudulent clicks will not lead to revenue for the advertisers. As a result, our advertisers and advertising partners may become dissatisfied with our advertising programs, which could lead to loss of advertisers, advertising partners and revenue. In addition, anyone who is able to circumvent our security measures could misappropriate proprietary and confidential information or could cause interruptions in our operations. We may be required to expend significant capital and other resources to protect against such security breaches or to address problems caused by such breaches. Concerns over the security of the Internet and other online transactions and the privacy of users may also deter people from using the Internet to conduct transactions that involve transmitting confidential information.

If third parties claim that we infringe their intellectual property rights, it may result in costly litigation.

We cannot assure you that third parties will not claim our current or future products or services infringe their intellectual property rights. Any such claims, with or without merit, could cause costly litigation that could consume significant management time. As the number of product and services offerings in our market increases and functionalities increasingly overlap, companies such as ours may become increasingly subject to infringement claims. Such claims also might require us to enter into royalty or license agreements. If required, we may not be able to obtain such royalty or license agreements, or obtain them on terms acceptable to us.

We do not rely upon patents to protect our proprietary technology, and our competitors may be able to offer similar products and services which would harm our competitive position.

Our success depends upon our proprietary technology. We do not have patents on any of our technology and we have not filed any patent applications to date because we have determined that the costs of patent prosecution outweigh the benefits given the alternative of reliance upon copyright law to protect our computer code and other proprietary technology and properties. In addition to copyright laws, we rely upon service mark and trade secret laws, confidentiality procedures and contractual provisions to establish and protect our proprietary rights. As part of our confidentiality procedures, we enter into non-disclosure agreements with our employees and consultants. Despite these precautions, third parties could copy or otherwise obtain and use our technology without authorization, or develop similar technology independently. In addition, effective protection of intellectual property rights is unavailable or limited in certain foreign countries. We cannot assure you that the protection of our proprietary rights will be adequate or that our competitors will not independently develop similar technology, duplicate our products and services or design around any intellectual property rights we hold.

Our market is subject to rapid technological change and, to compete, we must continually enhance our products and services.

We must continue to enhance and improve the performance, functionality and reliability of our products and services. The SMS industry is characterized by rapid technological change, changes in user requirements and preferences, frequent new product and services introductions embodying new technologies and the emergence of new industry standards and practices that could render our products and services obsolete. In the past, we have discovered that some of our customers desire additional performance and functionality not currently offered by our products. Our success will depend, in part, on our ability to develop new products and services that address the increasingly sophisticated and varied needs of our customers, and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The development of our technology and other proprietary technology involves significant technical and business risks. We may fail to use new technologies effectively or to adapt our proprietary technology and systems to customer requirements or emerging industry standards. If we are unable to adapt to changing market conditions, customer requirements or emerging industry standards, we may not be able to increase our revenue and expand our business.

Difficulties we may encounter managing our growth could adversely affect our results of operations.

We have experienced a period of growth that has placed, and if such growth continues, will continue to place, a strain on our administrative infrastructure. As our business needs expand, we intend to hire new employees assuming we complete this offering. This expansion is placing and is expected to continue to place a significant strain on our managerial and financial resources. To manage the expected growth of our operations and personnel, we will be required to:

- improve existing, and implement new, operational, financial and management controls, reporting systems and procedures;
- install enhanced management information systems; and
- train, motivate and manage our employees.

We may not be able to install adequate management information and control systems in an efficient and timely manner, and our current or planned personnel, systems, procedures and controls may not be adequate to support our future operations. If we are unable to manage growth effectively, our business would be seriously harmed.

If we lose key personnel or are unable to attract and retain additional qualified personnel we may not be able to successfully manage our business and achieve our objectives.

We believe our future success will depend upon our ability to retain our key management, including Edward H. (Ted) Murphy, our President and Chief Executive Officer, Donna L. Mackenzie, our Chief Financial Officer, and Ryan S. Schram, our Chief Marketing Officer. We maintain key-man life insurance for our benefit on the life of Mr. Murphy in the amount of $1.5 million. We may not be successful in attracting, assimilating and retaining our employees in the future.

Our future success and our ability to expand our operations will also depend in large part on our ability to attract and retain additional qualified graphic designers, computer scientists, sales and marketing and senior management personnel. Competition for these types of employees is intense due to the limited number of qualified professionals and the high demand for them, particularly in the Orlando, Florida area, where our headquarters is located. We have in the past experienced difficulty in recruiting qualified personnel. Failure to attract, assimilate and retain personnel, particularly tech and sales and marketing personnel, would have a material adverse effect on our business and potential growth.

International operations could expose us to additional risks which could harm our business, prospects, results of operation, and financial condition.

We recently expanded into the European marketplace through our acquisition of a German SMS network, Magpie, and we have entered into a joint venture to provide a co-branded SponsoredTweets service in India. While international operations are not significant to our revenues, we plan to further expand internationally. In certain international markets, we may not benefit from any first-to-market advantages or otherwise succeed. In addition to risks described elsewhere in this section, our international operations expose us to additional risks, including the following:

- changes in local political, economic, social, and labor conditions, which may adversely harm our business;
- restrictions on foreign ownership and investments, and stringent foreign exchange controls that might prevent us from repatriating cash earned in countries outside the United States;
- import and export requirements that may prevent us from offering products or providing services to a particular market and may increase our operating costs;
- currency exchange rate fluctuations and our ability to manage these fluctuations through our foreign exchange risk management program;
- longer payment cycles in some countries, increased credit risk, and higher levels of payment fraud;
- uncertainty regarding liability for services and content, including uncertainty as a result of local laws and lack of legal precedent; and
- different employee/employer relationships, existence of workers' councils and labor unions, and other challenges caused by distance, language, and cultural differences, making it harder to do business in certain jurisdictions.

In addition, compliance with complex foreign and U.S. laws and regulations that may apply to international operations increases may increase the cost of doing business in international jurisdictions. These numerous and sometimes conflicting laws and regulations include internal control and disclosure rules, data privacy and filtering requirements, anti-corruption laws, such as the Foreign Corrupt Practices Act, and other local laws prohibiting corrupt payments to governmental officials, and anti-competition regulations, among others. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, and could also materially affect our brand, our international expansion efforts, our ability to attract and retain employees, our business, and our operating results.

Risks Relating to our Common Stock and this Offering

Our promissory notes have a future determined conversion price which may result in substantial dilution to the ownership interests of our existing stockholders.

On February 3, 2012, we and our subsidiary, IZEA Innovations, Inc., jointly issued a senior secured promissory note in the principal amount of $550,000 to two of our existing shareholders. According to the terms of the note, if the note is not fully paid by maturity and the note's maturity is automatically extended until February 2, 2013, the noteholders may convert the outstanding principal amount of the note at a conversion price equal to 90% of the closing price of our common stock on the trading day prior to the date that the note becomes convertible. On May 4, 2012, we and our subsidiary, IZEA Innovations, Inc., jointly issued a 30-day promissory note to two of our existing shareholders in the principal amount of $75,000. 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 our common stock as quoted on Bloomberg for the ten trading days prior to the conversion date. The note bears interest at a rate of 8% per annum with a default rate of 18% per annum. The $75,000 note will automatically convert into shares of our common stock if we complete a public offering of our securities for gross proceeds of not less than $10,000,000. No payment of accrued interest on the note is required to be made to the noteholders upon such conversion.

The notes have a conversion price based upon the future trading price of our common stock without any “floor” conversion price, which makes the ultimate maximum number of shares to be issued upon conversion indeterminable at this time. The conversion of the note will result in a significant increase in the number of our outstanding shares and substantially dilute the ownership interests of existing stockholders. We have 1,848,015 shares of common stock outstanding as of September 5, 2012 . Upon completion of this public offering (at a public offering price of $1.00 per share), there will be approximately 4,048,015 shares of common stock outstanding. The conversion of both our convertible promissory notes with principal amounts totaling $625,000 would result in an additional issuance of 694,445 shares of common stock (assuming a conversion price of $0.90 per share). However, the actual conversion price could be lower resulting in even higher share amounts.

There may be substantial sales of our common stock under the concurrent selling stockholder resale prospectus after the effective date of this registration statement, which could cause our stock price to drop.

The registration statement of which this prospectus forms a part also registers on behalf of selling stockholders a total of 274,224 shares of our common stock purchased from us in a private placement in May 2012. There are currently no agreements or understandings in place with these selling stockholders to restrict their sale of those shares after the effective date of this registration statement. Sales of a substantial number of shares of our common stock by the selling stockholders at such time could cause the market price of our common stock to drop (possibly below the price offered in this offering) and could impair our ability to raise capital in the future by selling additional securities.

Exercise of stock options, warrants and other convertible securities will dilute your percentage of ownership and could cause our stock price to fall.

As of September 5, 2012 , we have outstanding stock options and warrants to purchase 415,366 shares of common stock, preferred stock convertible into 3,788 shares of common stock and convertible promissory notes with principal amounts totaling $625,000 convertible into 694,445 shares of common stock (assuming a conversion price of $0.90 per share) that could result in our issuing a significant number of additional shares of common stock. Additionally, we have available shares to issue stock options to purchase up to 253,053 shares of common stock under our May 2011 Equity Incentive Plan and up to 50,000 shares of common stock under our August 2011 Equity Incentive Plan. In the future, we may grant additional stock options, warrants and convertible securities. The exercise, conversion or exchange of stock options, warrants or convertible securities will dilute the percentage ownership of our other stockholders. Sales of a substantial number of shares of our common stock could cause the price of our common stock to fall and could impair our ability to raise capital by selling additional securities.

Our earnings are subject to substantial quarterly and annual fluctuations and to market downturns.

Our revenues and earnings may fluctuate significantly in the future. General economic or other political conditions may cause a downturn in the market for our products or services. Despite the recent improvements in market conditions, a future downturn in the market for our products or services could adversely affect our operating results and increase the risk of substantial quarterly and annual fluctuations in our earnings. Our future operating results may be affected by many factors, including, but not limited to: our ability to retain existing or secure anticipated advertisers and publishers; our ability to develop, introduce and market new products and services on a timely basis; changes in the mix of products developed, produced and sold; and disputes with our advertisers and publishers. These factors affecting our future earnings are difficult to forecast and could harm our quarterly and/or annual operating results.

Public company compliance may make it more difficult to attract and retain officers and directors.

The Sarbanes-Oxley Act and new rules subsequently implemented by the SEC have required changes in corporate governance practices of public companies. As a public company, we expect these new rules and regulations to increase our compliance costs in 2011 and beyond and to make certain activities more time consuming and costly. As a public company, we also expect that these new rules and regulations may make it more difficult and expensive for us to obtain director and officer liability insurance in the future and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

Our stock price may be volatile.

The stock market in general, and the stock prices of technology-based companies in particular, have experienced volatility that often has been unrelated to the operating performance of any specific public company. The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- changes in our industry;
- competitive pricing pressures;
- our ability to obtain working capital financing;
- additions or departures of key personnel;
- limited "public float" in the hands of a small number of persons who sales or lack of sales could result in positive or negative pricing pressure on the market prices of our common stock;
- expiration of any Rule 144 holding periods or registration of unregistered securities issued by us;
- sales of our common stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- loss of any strategic relationship;
- regulatory developments; and
- economic and other external factors.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

There may be a limited public market for our securities; we presently fail to qualify for listing on any national securities exchanges.

Our common stock currently does not meet all of the requirements for initial listing on a national securities exchange. Specifically, the bid price of our common stock is less than the minimum bid price required to obtain a listing. Trading in our common stock continues to be conducted in the over-the-counter market. As a result, an investor may find it difficult to dispose of or to obtain accurate quotations as to the market value of our common stock, and our common stock may be less attractive for margin loans, for investment by larger financial institutions, as consideration in possible future acquisition transactions or other purposes.

Our common stock is currently deemed a “penny stock,” which makes it more difficult for our investors to sell their shares.

Our common stock is subject to the “penny stock” rules adopted under Section 15(g) of the Exchange Act. The penny stock rules generally apply to companies whose common stock is not listed on the Nasdaq Stock Market or other national securities exchange and trades at less than $4.00 per share, other than companies that have had average revenue of at least $6,000,000 for the last three years or that have tangible net worth of at least $5,000,000 ($2,000,000 if the company has been operating for three or more years). These rules require, among other things, that brokers who trade penny stock to persons other than “established customers” complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. If we remain subject to the penny stock rules for any significant period, it could have an adverse effect on the market, if any, for our securities. If our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

Our management team will have immediate and broad discretion over the use of the net proceeds from this offering and we may use the net proceeds in ways with which you disagree.

The net proceeds from this offering will be immediately available to our management to use at their discretion. We currently intend to use the net proceeds from this offering for sales and client relations, marketing, technology and platform engineering and working capital and general corporate purposes. See “Use of Proceeds.” You will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that the net proceeds will be invested in a way that does not yield a favorable, or any, return for us or our stockholders. The failure of our management to use such funds effectively could have a material adverse effect on our business, prospects, financial condition, and results of operation.

If we fail to establish and maintain an effective system of internal control, we may not be able to report our financial results accurately and timely or to prevent fraud. Any inability to report and file our financial results accurately and timely could harm our reputation and adversely impact the trading price of our common stock.

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. We are required to establish and maintain appropriate internal controls over financial reporting. Failure to establish those controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, prospects, financial condition or results of operations. As discussed in our 2011 Annual Report on Form 10-K, due to our limited resources and the short period of time since becoming a public reporting company, we have not been able to conduct an assessment of our internal control over financial reporting for 2011 and have excluded management's assessment of internal control over financial reporting for 2011. In addition, during the quarter ended June 30, 2011, a material weakness existed in our internal controls over financial reporting with respect to the incompletion of our assessment of the accounting impact of the issuance of complex and non-standard debt and equity instruments in May 2011. As a result of this material weakness, we were required to restate our financial statements for the quarter ended June 30, 2011. This material weakness was subsequently remediated as of September 30, 2011. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting or disclosure of management's assessment of our internal controls over financial reporting may have an adverse impact on the price of our common stock.

You will experience immediate and substantial dilution as a result of this offering and may experience additional dilution in the future.

You will incur immediate and substantial dilution as a result of this offering. After giving effect to the sale by us of 2,200,000 shares of common stock in this offering at a public offering price of $1.00 per share, investors in this offering can expect an immediate dilution of $1.10 per share, or 110% at the public offering price. In addition, in the past, we have issued convertible preferred stock, stock options and warrants to acquire shares of our common stock. To the extent these securities are ultimately converted or exercised, you will sustain further dilution. We may also acquire other technologies or finance strategic alliances by issuing equity, which may result in additional dilution to our stockholders.

If you are not an institutional investor, you may purchase securities in this offering only if you reside within the states in which we will apply to have the securities registered or are exempt from registration, and, if required, meet any requisite suitability standards.

Because our common stock is quoted on the OTCQB marketplace and not listed on a national securities exchange, this offering must be registered, or be exempt from registration, in any state in which the securities are to be offered or sold. We will apply to register securities, or will seek to obtain an exemption from registration, only in certain states. If you are not an "institutional investor," you must be a resident of these jurisdictions to purchase our securities in the offering. The definition of an "institutional investor" varies from state to state, but generally includes financial institutions, broker-dealers, banks, insurance companies and other qualified entities. If you are not an institutional investor, you may purchase securities in this offering only if you reside in the jurisdictions where there is an effective registration or exemption, and, if required, meet any requisite suitability standards.

Because we are seeking a limited offering qualification in California, sales of our shares will be limited in California.

We are seeking a limited offering qualification of our securities in California. If the offering is approved in California on the basis of such limited offering qualification, in the absence of any other exemptions, offers and sales of our securities can only be made to proposed California purchasers based on their meeting certain suitability standards. California investors must meet at least one of the following criteria:

- a $150,000 liquid net worth (a net worth exclusive of home, home furnishings and automobile), plus estimated $70,000 gross income during the current tax year; or
- a $250,000 liquid net worth and an investment limitation of not more than 10% of the investor's liquid net worth.

If the offering is approved in California on the basis of a limited offering qualification, we will not have to demonstrate compliance with some of the merit regulations of the California Department of Corporations as found in Title 10, California Code of Regulations, Rule 260.140 et seq. In addition, the exemptions for secondary trading in California available under California Corporations Code Section 25104(h) will be withheld, although there may be other exemptions to cover private sales in California of a bona fide owner for his own account without advertising and without being effected by or through a broker-dealer in a public offering.

Until we register a class of our securities under Section 12 of the Securities Exchange Act of 1934, we will only be subject to the periodic reporting obligations imposed by Section 15(d) of the Securities Exchange Act of 1934.

Until such time as we register a class of our securities under Section 12 of the Securities Exchange Act of 1934, we will only be subject to the periodic reporting obligations imposed by Section 15(d) of the Securities Exchange Act of 1934. Accordingly, we will not be subject to the proxy rules, Section 16 short-swing profit provisions, beneficial ownership reporting, the bulk of the tender offer rules and the reporting requirements of Section 13 of the Securities Exchange Act of 1934.

NOTE ON FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus are forward-looking statements that involve risks and uncertainties. In some cases, you can identify forward-looking statements by our use of words such as “may,” “could,” “should,” “project,” “believe,” “anticipate,” “expect,” “plan,” “estimate,” “forecast,” “potential,” “intend,” “continue” or the negative or other variations of the and other similar words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance, achievements or industry results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others, those discussed in more detail under the heading “Risk Factors” and elsewhere in this prospectus.

Our forward-looking statements are based on our current expectations, intentions and beliefs as of the date of this prospectus. Although we believe that the expectations reflected in our forward-looking statements are reasonable as of the date of this prospectus, we cannot guarantee future results, acquisitions of new creditor clients, settlement volumes or amounts, levels of activity, performance or achievements or other future events. You should not place undue reliance on our forward-looking statements. Some of the important factors that could cause our actual results, performance or financial condition to differ seriously from expectations are:

- our ability to raise additional funding,
- our ability to maintain and grow our business,
- variability of operating results,
- our ability to maintain and enhance our brand,
- our expansion and development of new products and services,
- marketing and other business development initiatives,
- competition in the industry,
- general government regulation,
- economic conditions,
- dependence on key personnel,
- the ability to attract, hire and retain personnel who possess the technical skills and experience necessary to meet the service requirements of our clients,
- our ability to protect our intellectual property,
- the potential liability with respect to actions taken by our existing and past employees,
- risks associated with international sales, and
- other risks described in this prospectus and in our other filings with the SEC.

USE OF PROCEEDS

We estimate that we will receive net proceeds of $1,784,000 from the sale of 2,200,000 shares of common stock being offered at a public offering price of $1.00 per share after deducting $176,000 for underwriting discounts and commissions and non-accountable expense allowance and estimated expenses of approximately $240,000 , which includes underwriting accountable expenses, legal, accounting, printing costs and various fees associated with the registration of our shares. If the underwriter exercises its right to purchase an additional 330,000 shares of common stock, we will receive an additional $306,900 after deducting $23,100 for underwriting discounts and commissions. Assuming no exercise of our underwriter's over-allotment option, we intend to use the net proceeds of the offering as follows:

	Application of Net Proceeds	Percentage of Net Proceeds	
Sales and client relations(1)	$750,000	42.0	%
Marketing(2)	300,000	16.8	%
Technology and platform engineering(3)	500,000	28.0	%
Working capital and general corporate purposes(4)	234,000	13.2	%
Total	$1,784,000	100.0	%

(1) Includes the hiring of additional sales personnel.
(2) Includes expenditures associated with marketing and supporting our SMS marketplace platforms.
(3) Consists of costs anticipated to be incurred in connection with the development of new features for our SMS marketplace platforms.
(4) Working capital and general corporate purposes include amounts required to pay officers' salaries and incentive bonuses, professional fees, ongoing public reporting costs, office-related expenses and other corporate expenses including interest, payment of short-term notes and overhead. See “Risk Factors - Our management team will have immediate and broad discretion over the use of the net proceeds from this offering and we may use the net proceeds in ways with which you disagree.”

Pending use of the proceeds of this offering, we will invest the net proceeds of this offering in short-term, investment grade, interest-bearing instruments. We currently anticipate that the net proceeds of this offering, together with our available funds, will be sufficient to meet our anticipated needs for working capital and capital expenditures for a minimum of six months following the closing of this offering. We anticipate that after six months from the closing of this offering, additional financing may be needed. No assurance can be given that such additional financing will be available on terms acceptable to us, if at all.

The allocation of the net proceeds of this offering set forth above represents our best estimates based upon our current plans and assumptions regarding industry and general economic conditions and our future revenues and expenditures. If any of these factors change, it may be necessary or advisable for us to reallocate some of the proceeds within the above-described categories or to use portions for other purposes. Investors will be relying on the judgment of our management regarding application of the net proceeds of this offering.

DILUTION

Our pro forma net tangible book value as of June 30, 2012 was $(2,172,484) or $(1.35) per share of common stock, based upon 1,611,230 shares outstanding as of that date. Net tangible book value per share is determined by dividing such number of outstanding shares of common stock, into our net tangible book value, which is our total tangible assets less total liabilities. After giving effect to the sale of the shares of common stock in this offering and after deducting underwriting discounts and commissions and other estimated expenses of this offering, our pro forma as adjusted net tangible book value at June 30, 2012 would have been approximately $(388,484) , or $(0.10) per share. This represents an immediate increase in net tangible book value of approximately $1.25 per share to our existing stockholders, and an immediate dilution of $1.10 per share to investors purchasing shares in the offering.

The following table illustrates the pro forma increase in net tangible book value to existing stockholders and the dilution per share to new investors:

Public offering price per share		$1.00
Net tangible book value per share as of June 30, 2012	$(1.35)	
Increase attributable to net proceeds received from this offering	$1.25	
Pro forma net tangible book value per share as of June 30, 2012 after giving effect to this offering		$(0.10)
Pro forma dilution per share to new investors in this offering		$(1.10)

If the underwriter exercises their over-allotment option to purchase 330,000 shares of common stock at the offering price of $1.00 per share, the adjusted net tangible book value after this offering would be $(0.02) per share, representing an increase in net tangible book value of $1.33 per share to existing shareholders and immediate dilution of $1.02 per share to new investors in this offering.

The foregoing illustration does not reflect potential dilution as of September 5, 2012 from (a) the conversion of our outstanding series A preferred stock into 3,788 shares of our common stock, (b) the conversion of our $75,000 convertible promissory note into 83,333 shares of our common stock, (c) the conversion of our $550,000 senior secured promissory note into 611,112 shares of our common stock or (d) the exercise of outstanding stock options or warrants to purchase an aggregate of 415,366 shares of our common stock.

CAPITALIZATION

The table below sets forth our long term liabilities and capitalization as of June 30, 2012. The as adjusted information gives effect to the receipt of net proceeds of approximately $1,784,000 from the sale of 2,200,000 shares of our common stock at a public offering price of $1.00 per share.

	As of June 30, 2012	
	Actual	As Adjusted for this Offering
	(unaudited)	(unaudited)
Capitalized lease obligations	$35,455	$35,455
Notes payable	572,426	572,426
Stockholders' equity (deficit):		
Series A convertible preferred stock; $.0001 par value; 240 shares authorized; 5 shares issued and outstanding	—	—
Common stock, $.0001 par value; 12,500,000 shares authorized; 1,611,230 and 3,811,230 issued and outstanding	161	381
Additional paid-in capital	18,801,888	20,585,668

Accumulated deficit	(20,887,363)	(20,887,363)
Total stockholders' equity (deficit)	(2,085,314)	(301,314)
Total capitalization	$(1,477,433)	$306,567

PRICE RANGE OF COMMON STOCK

From June 2011 to April 2012, our common stock was quoted on the OTC Bulletin Board and, since May 2012, has been quoted on the OTCQB marketplace, under the trading symbol IZEA. Prior to June 2011, there was no trading of our common stock. The following table sets forth, for the calendar periods indicated, the range of the high and low closing prices reported for our common stock. The quotations represent inter-dealer prices without retail mark-ups, mark-downs or commissions, and may not necessarily represent actual transactions. The quotations may be rounded for presentation. On September 5, 2012 , the closing price of our common stock was $1.80 per share.

Fiscal year ended December 31, 2011	High	Low
Second quarter	$200.00	$100.00
Third quarter	$130.00	$46.00
Fourth quarter	$56.00	$22.04

Fiscal year ending December 31, 2012	High	Low
First quarter	$34.00	$16.80
Second quarter	$25.80	$3.20
Third quarter (through September 5, 2012)	$3.60	$1.25

As of September 5, 2012 , we had approximately 82 shareholders of record of our common stock. This number does not include beneficial owners whose shares are held in the names of various securities brokers, dealers and registered clearing agencies.

Dividend Policy

We have never declared or paid cash dividends on our common stock, and we do not intend to pay any cash dividends on our common stock in the foreseeable future. Rather, we expect to retain future earnings (if any) to fund the operation and expansion of our business and for general corporate purposes.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information regarding our equity compensation plans as of December 31, 2011:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	114,445	$17.61	149,872
Equity compensation plans not approved by security holders	—	—	—
Total	114,445	$17.61	149,872

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and related notes included in this prospectus.

Special Note Regarding Forward-Looking Information

The following discussion and analysis is provided to increase the understanding of, and should be read in conjunction with, our consolidated financial statements and related notes included elsewhere in this Report. Historical results and percentage relationships among any amounts in these financial statements are not necessarily indicative of trends in operating results for any future period. This report contains “forward-looking statements.” The statements, which are not historical facts contained in this report, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, and notes to our consolidated financial statements, particularly those that utilize terminology such as “may” “will,” “should,” “expects,” “anticipates,” “estimates,” “believes,” or “plans” or comparable termin are forward-looking statements. Such statements are based on currently available operating, financial and competitive information, and are subject to various risks and uncertainties. Future events and our actual results may differ materially from the results reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, our ability to raise additional funding, our ability to maintain and grow our business, variability of operating results, our ability to maintain and enhance our brand, our expansion and development of new products and services, marketing and other business development initiatives, competition in the industry, general government regulation, economic conditions, dependence on key personnel, the ability to attract, hire and retain personnel who possess the technical skills and experience necessary to meet the service requirements of our clients, our ability to protect our intellectual property, the potential liability with respect to actions taken by our existing and past employees, risks associated with international sales, and other risks described herein and in our other filings with the Securities and Exchange Commission.

The safe harbor for forward-looking statements provided by Section 21E of the Securities Exchange Act of 1934 excludes issuers of “penny stock” (as defined in Rule 3a51-1 under the Securities Exchange Act of 1934). Our common stock currently falls within that definition.

All forward-looking statements in this document are based on information currently available to us as of the date of this report, and we assume no obligation to update any forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Company History

IZEA, Inc., formerly known as IZEA Holdings, Inc., and before that Rapid Holdings, Inc., was incorporated in Nevada on March 22, 2010. On May 12, 2011, we completed a share exchange pursuant to which we acquired all of the capital stock of IZEA Innovations, Inc. ("IZEA"), which became our 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, we discontinued our former business and continued the SMS business of IZEA as our sole line of business. On November 23, 2011, our name changed from "IZEA Holdings, Inc." to "IZEA, Inc." and the name of our subsidiary changed from "IZEA, Inc." to "IZEA Innovations, Inc."

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 ours 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.

On July 30, 2012, we 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 our common stock at a ratio of one share for every 40 shares outstanding prior to the effective date of the reverse stock split. Additionally, our authorized shares of common stock was decreased from 500,000,000 shares to 12,500,000 shares. All share and per share information for our common stock or common stock equivalents issued on or after May 12, 2011 in this prospectus reflects, and where appropriate, is restated for a 1-for-40 reverse stock split of our outstanding shares of common stock that became market effective on August 1, 2012.

Company Overview

We are a leading company in the growing social media sponsorship (SMS) segment of social media, where a company compensates a social media publisher to share sponsored content within their social network. We accomplish this by operating multiple marketplaces that include our premier platforms SocialSpark, SponsoredTweets and WeReward, as well as our legacy platforms PayPerPost and InPostLinks. Our advertisers include a wide range of small and large businesses, including Fortune 500 companies, as well as advertising agencies. We generate our primary revenue through the sale of SMS to our advertisers. We fulfill the SMS through our marketplace platforms by connecting our social media publishers such as bloggers, tweeters and mobile application users with our advertisers.

Results of Operations

Results of Operations for the Six Months Ended June 30, 2012 Compared to June 30, 2011

	Six Months Ended June 30,			
	2012	2011	$ Change	% Change
Revenue	$2,849,385	$1,768,679	$1,080,706	61.1 %
Cost of sales	1,159,771	822,734	337,037	41.0 %
Gross profit	1,689,614	945,945	743,669	78.6 %
Operating expenses:				
General and administrative	3,471,752	1,896,531	1,575,221	83.1 %
Sales and marketing	797,595	311,434	486,161	156.1 %
Total operating expenses	4,269,347	2,207,965	2,061,382	93.4 %
Loss from operations	(2,579,733)	(1,262,020)	(1,317,713)	(104.4)%
Other income (expense):				
Interest expense	(44,267)	(15,032)	(29,235)	194.5 %
Loss on exchange and change in fair value of derivatives, net	(133,034)	29,791	(162,825)	(546.6)%
Other income (expense), net	455	38	417	1,097.4 %
Total other income (expense)	(176,846)	14,797	(191,643)	1,295.1 %
Net loss	$(2,756,579)	$(1,247,223)	$(1,509,356)	(121.0)%

Revenues

We derive revenue from three sources: revenue from an advertiser for the use of our 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 for management, maintenance and enhancement of their accounts, and to publishers for maintenance and enhancement of their accounts ("Service Fee Revenue").

Revenues for the six months ended June 30, 2012 increased by $1,080,706, or 61.1%, compared to the same period in 2011. The increase was attributable to a $1,011,000 increase in our Sponsored Revenue and $132,000 from our new revenue stream, Media Revenue, offset by a $62,000 decline in Service Fee Revenue. In the six months ended June 30, 2012, Sponsored Revenue was 84%, Media Revenue was 5% and Service Fee Revenue was 11% of total revenue compared to Sponsored Revenue of 79% and Service Fee Revenue of 21% in the six months ended June 30, 2011. The increase in Sponsored Revenue was primarily attributable to increased sales growth in our premier social media platforms, Social Spark and SponsoredTweets. This exponential growth was brought about by a focus on localized client development through the increase in number of our executive sales team in Orlando, New York City, Chicago, Seattle and Dallas. This resulted in an increase in the number of customers starting campaigns and an increase in the average revenue per customer. The increase in Media Revenue was due to the implementation of IZEAMedia, our display advertising solution, for our platforms. IZEAMedia is a new feature that allows our publishers to place targeted display advertising in three of our platforms, SocialSpark, PayPerPost and Staree, for which we share revenue with the publisher. Service fees declined during the period because a majority of the fees were initially assessed to our customers in the second quarter of 2011 when new service fee policies were implemented.

While we expect that revenue from our legacy platforms, PayPerPost and InPostLinks, will continue to decline in amount and as a percentage of our total revenue, we still expect to increase our total revenue by over 100% in 2012 by expanding our professional sales staff, increasing average revenue per customer, adding features to our existing platforms and introducing new platforms to take advantage of social media activities. We have expanded and plan to continue the expansion our sales staff with outside sales executives that are located in major markets outside of our corporate headquarters. We believe that locating outside sales executives in close proximity to our customers will help drive a closer relationship with our customers resulting in increased repeat spending and an increase in average revenue per customer. We also plan to expand our internal sales representatives to augment the efforts of our outside sales executives so that we can take advantage of the doubling of potential revenue opportunities for our Company in the past year. We have seen total qualified revenue opportunities for our sales team grow from $4 million in June 2011 to over $9 million in June 2012. We continuously review our existing platforms and our industry in order to add new features and additional revenue streams. Two current examples are the new revenue stream from IZEAMedia and the introduction of our new platform, www.staree.com. Our Staree platform allows us to further our efforts in social media sponsorships with a site that allows the sharing of sponsored photos and videos.

Cost of Sales and Gross Profit

Our cost of sales comprise primarily of amounts paid to our social media publishers for fulfilling an advertiser’s sponsor request for a blog post, tweet, click, purchase or action.

Cost of sales for the six months ended June 30, 2012 increased by $337,037, or 41.0%, compared to the same period in 2011. Cost of sales increased as a direct result of the increase in our Sponsored Revenue and the direct publisher costs to generate such revenue. Publisher costs typically range from 50% to 80% of the advertising campaign depending on the type of publisher used in the campaign. Celebrity publishers typically used in our SponsoredTweets marketplace cost more than our average publisher cost of 50% in other marketplaces.

Gross profit for the six months ended June 30, 2012 increased by $743,669, or 78.6%, compared to the same period in 2011. However, our gross margin remained at 59% for the six months ended June 30, 2012 and 2011. The increase in gross profit is a result of the higher revenue.

Operating Expenses

Operating expenses consist of general and administrative, and sales and marketing expenses. Total operating expenses for the six months ended June 30, 2012 increased by $2,061,382, or 93.4%, compared to the same period in 2011. The increase was primarily attributable to increased payroll expenses, professional fees, costs of being a public company and increases in sales and marketing expenses.

General and administrative expenses consist primarily of payroll, general operating costs, public company costs, facilities costs, insurance, depreciation, professional fees, and investor relations fees. General and administrative expenses for the six months ended June 30, 2012 increased by $1,575,221 or 83.1%, compared to the same period in 2011. The increase was primarily attributable to a $52,000 increase in rent expense with the addition of three new office space locations in mid-2011, a $670,000 increase in payroll, personnel and related benefit expenses due to salary increases and additional employees, a $90,000 increase in travel related to additional personnel in multiple locations, a $432,000 increase in professional fees and reporting costs as a result of the abandoned financing transactions, a $116,000 increase in costs for investor relations as a result of being a public company, and an increase in stock-based compensation of $103,000. We expect that personnel costs and professional fees will continue to increase over prior levels as we continue to expand our sales force, work on financing transactions, and incur a full year of reporting costs and investor relations activities as a public company.

Sales and marketing expenses consist primarily of compensation for sales and marketing and related support resources, sales commissions and trade show expenses. Sales and marketing expenses for the six months ended June 30, 2012 increased by $486,161 or 156.1%, compared to the same period in 2011. The increase was primarily attributable to the increase in tradeshow activities, the addition of more outside contractors to support our customers and promotional expenses to launch our new products and services, Staree in particular. In May 2012, we entered into four agreements to issue a total of 75,521 shares of restricted common stock for celebrity endorsements of our products and services (primarily to related to the launch of our new Staree platform). 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. In addition to the shares, we paid cash payments of $100,000. We recorded a total of $254,223 in marketing expense for the value of the restricted awards vested and the cash payments earned during the six months ended June 30, 2012. Future compensation related to nonvested restricted awards expected to vest and unearned cash compensation of $236,245 is estimated to be recognized over the remaining individual contract terms of up to eleven months.

Other Income (Expense)

Other income (expense) consists primarily of interest expense and the change in the fair value of derivatives.

Interest expense during the six months ended June 30, 2012 increased by $29,235 compared to the same period in 2011 primarily due to the issuance of a senior secured promissory note in the principal amount of $550,000 in February 2012 and a $75,000 promissory note in May 2012. The carrying value and the direct finance costs on the notes are subject to amortization, through charges to interest expense, over the term to maturity using the effective interest method.

We entered into financing transactions during the six months ended June 30, 2012 and 2011 that gave rise to derivative liabilities. These financial instruments are carried as derivative liabilities, at fair value, in our financial statements. Changes in the fair value of derivative financial instruments are required to be recorded in other income (expense) in the period of change. We recorded income resulting from the change in the fair value of certain warrants during the six months ended June 30, 2012 and 2011 in the amount of $727,725 and $29,791, respectively. We recognized a $764,513 loss on exchange when we redeemed certain warrants to purchase an aggregate of 123,052 shares of common stock for the same number of shares without the Company receiving any further cash consideration during the six months ended June 30, 2012. Additionally, we recorded $96,246 in expense resulting from the change in the fair value of our compound embedded derivatives in our promissory notes during the six months ended June 30, 2012. The net effect of these changes in fair values and loss on exchange of warrants resulted in a total expense of $133,034 and income of $29,791 during the six months ended June 30, 2012 and 2011, respectively. We have no control over the amount of change in the fair value of our derivative instruments as this is a factor based on fluctuating rates and market conditions outside of our control.

Net Loss

Net loss for the three months ended June 30, 2012 was $2,756,579 which increased from the net loss of $1,247,223 for the same period in 2011. As discussed above, although gross profit increased over the prior year due to increased revenue, these improvements were exceeded by the large increase in operating expenses attributable to increased headcount, professional fees, public company and other sales and marketing expenses.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

	Years Ended December 31,			
	2011	2010	$ Change	% Change
Revenue	$4,347,235	$3,821,538	$525,697	13.8 %
Cost of sales	1,951,571	1,819,031	132,540	7.3 %
Gross profit	2,395,664	2,002,507	393,157	19.6 %
Operating expenses:				
General and administrative	5,859,087	3,319,257	2,539,830	76.5 %
Sales and marketing	823,365	766,390	56,975	7.4 %
Total operating expenses	6,682,452	4,085,647	2,596,805	63.6 %
Loss from operations	(4,286,788)	(2,083,140)	(2,203,648)	(105.8)%
Other income (expense):				
Interest expense	(24,392)	(74,644)	50,252	(67.3)%
Change in fair value of warrant liability	332,484	—	332,484	100.0 %
Other income (expense), net	104	25	79	316.0 %

Total other income (expense)	308,196	(74,619)	382,815	513.0%
Net loss	$(3,978,592)	$(2,157,759)	$(1,820,833)	(84.4)%

Revenues

We derive revenue from two sources: revenue from an advertiser for the use of our network of social media publishers to fulfill advertiser sponsor requests for a blog post, tweet, click, purchase, or action and revenue derived from various service fees charged to advertisers for management, maintenance and enhancement of their accounts, and to publishers for maintenance and enhancement of their accounts.

Revenues for the year ended December 31, 2011 increased by $525,697, or 13.8%, compared to the same period in 2010. The increase was attributable to an approximately $96,000 increase in our Sponsored Revenue and a $429,000 increase in Service Fee Revenue. In 2011, Sponsored Revenue was 80% and Service Fee Revenue was 20% of total revenue compared to Sponsored Revenue of 88% and Service Fee Revenue of 12% in 2010. The increase in Sponsored Revenue was primarily attributable to increased sales from our expanded sales force and growth in our three premier social media platforms, Social Spark, SponsoredTweets and WeReward. These products accounted for 70% of our revenue in 2011 compared to 51% of our revenue in 2010. The increase in Service Fee Revenue is primarily due to the growth in our managed customer base on which we receive management fee revenue and additional account maintenance fees received from advertisers and publishers. We expect that our revenue will continue to increase over prior period levels as we continue to focus our sales efforts on our three premier social media marketing platforms.

Cost of Sales and Gross Profit

Our cost of sales comprise primarily of amounts paid to our social media publishers for fulfilling an advertiser's sponsor request for a blog post, tweet, click, purchase, or action.

Cost of sales for the year ended December 31, 2011 increased by $132,540, or 7.3%, compared to the same period in 2010. Cost of sales increased as a direct result of the increase in our Sponsored Revenue and higher publisher costs to generate such revenue. Publisher costs typically range from 50% to 80% of the advertising campaign depending on the type of publisher used in the campaign. Celebrity publishers typically used in our SponsoredTweets marketplace cost more than our average publisher cost of 50% in other marketplaces.

Gross profit for the year ended December 31, 2011 increased by $393,157, or 19.6%, compared to the same period in 2010. Our gross margin increased to 55% for the twelve months ended December 31, 2011 as compared to 52% for the same period in 2010. The gross margin increase was primarily attributable to the substantial increase in service fees received from advertisers and publishers that have minimal costs associated with the revenue.

Operating Expenses

Operating expenses consist of general and administrative, and sales and marketing expenses. Total operating expenses for the year ended December 31, 2011 increased by $2,596,805, or 63.6%, compared to the same period in 2010. The increase was primarily attributable to increased payroll and operating expenses, costs of being a public company and increases in sales and marketing expenses.

General and administrative expenses consist primarily of payroll, general operating costs, public company costs, facilities costs, insurance, depreciation, professional fees and investor relations fees. General and administrative expenses for the year ended December 31, 2011 increased by $2,539,830 or 76.5%, compared to the same period in 2010. The increase was primarily attributable to a $77,000 increase in rent expense with the addition of three new office space locations in 2011, a $732,000 increase in payroll, personnel and related benefit expenses due to salary increases and additional employees, a $236,000 increase in professional fees and reporting costs as a result the financing transactions and costs of being a public company in 2011, and investor relations costs of $1,216,000. We paid $1,180,000 including the $165,000 value of 500,000 shares of common stock issued to one consulting company for investor relation services that included an investor marketing campaign during 2011. We do not anticipate large expenditures on investor relations campaigns in future periods of the same magnitude as in our first few months of becoming a public company in 2011. However, we do anticipate continued higher costs in 2012 related to the costs of being a public company, including but not limited to legal, accounting, transfer agent and other fees, as a result of future public offerings and a full year of public reporting costs in 2012 compared to only a half year in 2011.

Sales and marketing expenses consist primarily of compensation for sales and marketing and related support resources, sales commissions and trade show expenses. Sales and marketing expenses for the year ended December 31, 2011 increased by $56,975 or 7.4%, compared to the same period in 2010. The increase was also attributable to the marketing of our SocialSpark, SponsoredTweets and WeReward platforms.

Other Income (Expense)

Other income (expense) consists primarily of interest expense and the change in the fair value of warrant liability.

Interest expense during the year ended December 31, 2011 decreased by $50,252 compared to the same period in 2010 due to our overall reduction in debt as a result of the conversion of $1,444,800 of related party notes payable in May 2010 and principal payments made on our note payable to the bank.

We recognized other income for a change in fair value of our warrant liability of $332,484 during the year ended December 31, 2011 related to warrants issued in connection with the May 2011 Offering as further discussed below. We have no control over the amount of change in the fair value of our derivative instruments as this is a factor based on fluctuating rates and market conditions outside of our control.

Net Loss

Net loss for the year ended December 31, 2011was $3,978,592 which increased from the net loss of $2,157,759 for the same period in 2010, As discussed above, although gross profit increased over the prior year due to increased revenue and interest expense declined as a result of the conversion of debt in 2010, these improvements were exceeded by the large increase in operating expenses attributable to increased headcount, public company and investor relations costs, and other sales and marketing expenses.

Liquidity and Capital Resources

Our cash position was $190,225 as of June 30, 2012 as compared to $225,277 as of December 31, 2011, a decrease of $35,052. We have incurred significant net losses and negative cash flow from operations since our inception. We incurred net losses of $2,756,579 and $3,978,592 for the six months ended June 30, 2012 and for the year ended December 31, 2011, respectively, and had an accumulated deficit of $20,887,363 as of June 30, 2012. The opinion of our independent registered public accounting firm on our audited financial statements as of and for the year ended December 31, 2011 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon raising capital from financing transactions.

Cash used for operating activities was $1,778,885 during the six months ended June 30, 2012 and was primarily a result of our net loss during the period of $2,756,579. Cash provided by financing activities was $1,749,192 during the six months ended June 30, 2012 and was primarily a result of net proceeds of $543,700 received from the issuance of a promissory notes and $1,221,858 received from the sale of our common stock as further discussed below. Financing activities were reduced by principal payments of $17,465 on our capital leases.

To date, we have financed our operations through internally generated revenue from operations, the sale of our equity and the issuance of notes and loans from shareholders.

On February 3, 2012, we 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 our existing shareholders. In connection with the note, we 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 matures on February 2, 2013. The note may be prepaid by us 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 our assets and assets of our subsidiary. 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 us in a subsequent financing. The holders may convert the outstanding principal amount of the note at a conversion price of 90% of the closing price of our common stock on the trading day prior to the date that the note becomes convertible, subject to further adjustment in the case of stock splits, reclassifications, reorganizations, certain issuances at less than the conversion price and the like. We are further subject to certain liquidated damages if we fail 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, we are prohibited from incurring certain debt, selling any account receivable or declaring any dividend.

During the six months ended June 30, 2012, we issued 551 shares of common stock upon receipt of cash proceeds of $1,099 for the exercise of stock options at an average exercise price of $2.00 per share.

On May 4, 2012, we and our subsidiary, IZEA Innovations, Inc., jointly issued a 30-day promissory note to two of our existing shareholders, Michael Brauser and Barry Honig, in the principal amount of $75,000. 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 our common stock as quoted on Bloomberg for the ten trading days prior to the conversion date. The note bears interest at a rate of 8% per annum with a default rate of 18% per annum. The $75,000 note will automatically convert into shares of our common stock if we complete a public offering of our securities for gross proceeds of not less than $10,000,000. No payment of accrued interest on the note is required to be made to the noteholders upon such conversion.

On May 8 and 15, 2012, we sold a total of 274,224 shares of our 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 Purchase Agreement. Pursuant to the terms of a Registration Rights Agreement, we 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. In the event the registration statement is not declared effective within 105 days following the final closing (or 135 days if the registration statement is reviewed by the SEC), we will pay the investors 0.5% of the subscription amount of their shares for every 30-day period that the registration statement is not declared effective, subject to the ability of the investors to sell their shares pursuant to Rule 144. The liquidated damages can be paid in cash or in additional shares of our common stock, at our option.

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 convertible preferred stock into 170,455 shares of common stock. As of June 30, 2012, only 5 shares of the Series A convertible preferred stock remained outstanding.

In May and June 2012, pursuant to separate private transactions, nineteen warrant holders exchanged their warrants to purchase an aggregate of 123,052 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 reverse merger and private placement.

In July 2012, we entered into three agreements to issue a total of 60,000 shares of restricted common stock for celebrity endorsements of our products and services. 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.

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

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

On August 6, 2012, Brian W. Brady, a director, made a private investment of $100,000 for the purchase of 41,667 shares of our common stock at $2.40 per share. In accordance with the terms of the stock subscription agreement, if our proposed public offering is priced and sold below $2.40 per share within 120 days following the closing of the investment, we will issue additional shares to him, effectively adjusting the purchase price per share to 10% below the public offering price, with a floor of $.50 per share. Mr. Brady also received 35,000 shares of our restricted common stock and may receive a $10,000 cash finance fee upon a closing of any equity offering or debt financing by us with net proceeds exceeding $2.0 million.

We used the proceeds from the above stock issuances for general working capital purposes. Pursuant to this registration statement, we are in the process of registering shares of our common stock for a public offering to raise gross proceeds of at least $2,200,000 in order to meet the needs of our operations and future growth plans. Other financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing alternatives. However, the trading price of our common stock and a downturn in the U.S. equity markets could make it more difficult to complete a public offering or obtain financing through the issuance of equity or debt securities. Even if we are able to raise funds in financing transactions, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock.

There can be no assurance that we will be successful in our public offering or in any other financing or that the terms of any such financing transactions will not result in the issuance, or potential issuance, of a significant amount of equity securities that will cause substantial dilution to our stockholders. The inability to obtain additional capital may restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing by the end of February 2013, we may be forced to reduce planned expenditures, curtail our operations or sell some of our assets.

Off Balance Sheet Arrangements

We do not engage in any activities involving variable interest entities or off-balance sheet arrangements.

Critical Accounting Policies and Use of Estimates

The preparation of the accompanying financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in the accompanying financial statements and the accompanying notes. The preparation of these financial statements requires managements to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. When making these estimates and assumptions, we consider our historical experience, our knowledge of economic and market factors and various other factors that we believe to be reasonable under the circumstances. Actual results could differ from these estimates. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of the financial statements.

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 us 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, we 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. We have a reserve for doubtful accounts of $10,000 at March 31, 2012 and December 31, 2011. We believe that this estimate is reasonable, but there can be no assurance that our estimate will not change as a result of a change in economic conditions or business conditions within our industry, our individual customers or our Company. Any adjustments to this account are reflected in the statements of operations as a general and administrative expense.

We derive our revenue from three sources: revenue from an advertiser for the use of the our 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 to publishers include upgrade account fees for obtaining greater visibility to advertisers in advertiser searches in our platforms, early cash out fees and inactivity fees for dormant accounts. Media Revenue is generated when our publishers to place targeted display advertising in blogs. Sponsored revenue is recognized and considered earned after an advertiser's opportunity is posted on our websites and their request was completed and content listed, as applicable, by our 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 us. In these cases, the deposits are recorded as unearned revenue until earned as described above. Service fees are recognized upon completion of the management of an advertiser's campaign or immediately when the maintenance or enhancement service is performed for an advertiser or publisher.   All of our 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. We consider our revenue as generally realized or realizable and earned once (i) persuasive evidence of an arrangement exists, (ii) services have been rendered, (iii) our 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. We record revenue on the gross amount earned since we generally are the primary obligor in the arrangement, establish the pricing and determine the service specifications.

Stock based compensation 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. We estimate the fair value of each stock option as of the date of grant using the Black-Scholes pricing model. Options vest ratably over four years with one-fourth of options vesting one year from the date of grant and the remaining options vesting monthly, in equal increments over the remaining three-year period and generally have ten-year contract lives. We estimate the fair value of our common stock using recent independent valuations or the value paid in the most recent equity or financing transactions. We estimate the volatility of our common stock at the date of grant based on the volatility of comparable peer companies which are publicly traded. We determine the expected life based on historical experience with similar awards, giving consideration to the contractual terms, vesting schedules and post-vesting forfeitures. We use 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. We have never paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. We estimate 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. Changes also impact the amount of unamortized compensation expense to be recognized in future periods.

The following table shows the amount of options granted under our 2007 Equity Incentive Plan and the assumptions used to determine the fair value of those options during the year ended December 31, 2010 and from January 1, 2011 through May 12, 2011, the date the 2007 Plan was canceled:

2007 Equity Incentive Plan Options Granted

Period Ended	Total Options Granted	Weighted Average Fair Value of Series A Common Stock	Weighted Average Expected Term	Weighted Average Volatility	Weighted Average Risk Free Interest Rate	Weighted Average Fair Value of Options Granted
December 31, 2010	1,800	$1.10	5 years	59.55%	2.65%	$0.58
May 12, 2011	3,788,620	$0.03	5 years	54.96%	2.36%	$0.02

The following table shows the amount of options granted under our May and August 2011 Equity Incentive Plans and the assumptions used to determine the fair value of those options during the year ended December 31, 2011 and the quarterly periods ended March 31, 2012 and June 30, 2012:

2011 Equity Incentive Plan Options Granted

Period Ended	Total Options Granted	Weighted Average Fair Value of Common Stock	Weighted Average Expected Term	Weighted Average Volatility	Weighted Average Risk Free Interest Rate	Weighted Average Fair Value of Options Granted
December 31, 2011	119,707	$13.20	5 years	55.05%	1.84%	$2.13
March 31, 2012	2,751	$12.50	5 years	54.85%	0.82%	$3.36
June 30, 2012	347,667	$5.18	5 years	54.93%	0.76%	$2.26

There were 396,932 options outstanding as of September 5, 2012 with a weighted average exercise price of $6.00 per share. There is no aggregate intrinsic value on the exercisable, outstanding options as of September 5, 2012 since the weighted average exercise price exceeded the market price of our common stock on such date.

We account for derivative instruments in accordance with ASC 815, Derivatives and Hedging, which requires additional disclosures about the our 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. We do 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.

We record 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 preferred stock as dividends at the time the stock first becomes convertible.

Recent Accounting Pronouncements

There are several new accounting pronouncements issued by the Financial Accounting Standards Board 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 our financial position or operating results.

BUSINESS

Overview

We are a leading company in the growing social media sponsorship (SMS) segment of social media, operating multiple marketplaces that include WeReward, SponsoredTweets, SocialSpark, PayPerPost and InPostLinks. WeReward, SponsoredTweets and SocialSpark are our premier platforms that are the focus of our current business for which we are actively developing new features. PayPerPost and InPostLinks are legacy platforms that we still maintain but for which we have ceased to provide new features. We generate our primary revenue through the sale of SMS to our customers.   We fulfill the SMS transaction through our marketplace platforms by connecting our social media publishers such as bloggers, tweeters and mobile application users with our advertisers.

Our platforms take the concepts of product placement and endorsements commonly found in movies, television and radio and apply them to the social web. We democratize the brand sponsorship process, allowing everyone from college students and stay at home moms to celebrities an opportunity to monetize their content, creativity and influence in social media.

We believe we pioneered the concept of a marketplace for SMS in 2006 and have focused on the scalable monetization of social media ever since. We compensate bloggers, tweeters and mobile promoters (our social media publisher-partners) to share information about companies, products, websites and events within their social media content streams. Advertisers benefit from buzz, traffic, awareness and sales. Social media publishers earn cash, points and product samples.

Each platform we operate is designed to facilitate SMS transactions in a way that is natural to its specific media format. Advertisers can utilize a single platform to fill a specific need or combine platforms with each other to execute an integrated social media campaign. All of our platforms can be activated and used in a self-serve fashion or with the assistance of our account management team.

We streamline the process of completing SMS through our proprietary technology, creating efficiencies and economies of scale for both advertisers and social media publishers. We utilize a common design methodology in each platform, which we have honed over our six years of operations. Each platform provides advertisers with access to a large network of publishers, workflow management, content control, payment processing, performance tracking and legal compliance. This methodology enables us to offer the most monetization opportunities to our publishers through a marketplace that provides an integrated FTC compliance framework, work-flow management, and automated transaction processing.

We do not have any contracts with any social media platform. Currently, access to the social media platforms that we connect with is through publicly available application program interfaces that allow the integration of our platform with the social media platform without the need to separately negotiate and enter into a contract.

We believe the value proposition we offer to both advertisers and social media publishers strengthens our position as a trusted partner and allows us to derive revenue from both customer bases. As more brand advertisers utilize our marketplaces, we thereby increase the breadth and depth of monetization opportunities for publishers, attracting more publishers and further enhancing the value of our service advertisers.

Our Platforms

Below is an overview of our platforms:

SocialSpark is our premier blog marketing platform. Through SocialSpark, we provide robust targeting and detailed analytics to advertisers. The site allows advertisers to develop large lists of high-quality blogs based on various criteria, such as relevancy, traffic and demographic data. The platform also enables advertisers to create targeted, large-scale social media campaigns with the click of a button and to observe campaign results in real time. SocialSpark is also used by larger brands interested in engaging in conversations with their consumer bases. SocialSpark goes beyond manual outreach services conducted by public relations agencies, such as Porter Novelli, Edelman and Ketchum, by offering an automated, scalable marketplace that aggregates opportunities for bloggers and provides a single source to review work, compensation and analytics.

SponsoredTweets is an online marketplace that allows consumers to connect directly with advertisers to engage in sponsored conversations through Twitter. Marketers pay for Twitter advertising campaigns on either a cost per tweet (CPT) or cost per click (CPC) basis. SponsoredTweets allows advertisers to hand pick individual tweeters, including celebrities, to participate in Twitter advertising campaigns. We believe this platform is unique in that it offers a marketplace for tweeters with varying levels of social influence, unlike Adly's, which focuses solely on celebrity endorsements.

WeReward is a social-mobile incentive platform that allows brands to drive purchases, reward loyalty and better understand their customers. WeReward promotes businesses, consumer products and mobile applications through our proprietary application, which can be downloaded on iPhone and Android devices. Consumers are currently able to earn WeReward points at more than 15 million businesses in the United States. WeReward points act as a cash rebate via PayPal to create tangible value for users. This platform is similar to CheckPoints, which offers points for “checking-in” with locations or scanning the barcodes of products. WeReward expands upon this by offering points for additional tasks, such as downloading mobile applications and responding to surveys.

PayPerPost and InPostLinks are online marketplaces designed to facilitate search engine optimization efforts and allow advertisers to connect directly with bloggers to develop relevant blog post content and place text link advertising within blog posts. Both systems allow advertisers to compensate bloggers with cash in exchange for content and links back to websites. These platforms are similar to eBay for content generation and text link advertising in that they connect a buyer with our publishers (a seller) at an agreed upon price.

Staree is a mobile platform designed to help online influencers monetize their personal social multimedia content, such as status updates, photos and videos through SMS and display advertising. Staree users can earn money by sharing in a portion of the revenue earned by targeted display advertising placed on their Staree profile pages. This platform was released on a limited basis to a limited number of users in May 2012. Users can currently apply to be part of Staree and join a waiting list as the technology is perfected and optimized. We anticipate that Staree will be made available to the public around the end of our third quarter ending September 30, 2012.

SocialSpark, SponsoredTweets and WeReward, our premier social media platforms released in 2008, 2009 and 2010, respectively, together represented 51%, 70% and 81% of our total revenue (as reported in our Consolidated Statements of Operations, which includes both sponsored revenue and service fee revenue) in the years ended December 31, 2010 and 2011 and the six months ended June 30, 2012, respectively. Large brand advertisers use a combination of these platforms to fulfill advertising campaigns depending on their advertising goals.

Our first product launch in 2006, PayPerPost, and complementary product InPostLinks, are legacy platforms. These products together represented 48%, 30% and 14% of our total revenue in the years ended December 31, 2010 and 2011 and the six months ended June 30, 2012, respectively. Revenue from these legacy products is expected to continue to decline as a percentage of our total revenue and is not the focus of our business moving forward.

A summary of our premier platforms follows:

	SocialSpark	SponsoredTweets	WeReward
Media Format	Blog posts	Status updates	Actions / check-ins
Content	Long form text/video content	Short form text content	Short form text & photo content
Best used for	• In-depth reviews • Buzz • Long term traffic generation • E-commerce "Deals"	• Short term traffic generation • Buzz • Awareness	• Driving purchases • Customer data • Short term traffic generation
Payment Model	• Cost per blog post • Cost per purchase	• Cost per tweet • Cost per click	• Cost per action
Targeting	• Blog traffic • Blog category / keywords • Blogger country	• Tweeter followers • Tweeter category / keywords • Tweeter country	• Mobile user current location • Mobile user age / sex
Metrics Gathered	• Impressions / CPM • Clicks / CPC • CTR • Cost per action / sale	• Followers / CPMF • Clicks / CPC • Engagement • Cost per action / sale	• Cost per action / sale • Revenue generated / ROI • Loyalty
Effective Media Lifespan	Years	1-2 Days	1-2 Days (media) Years (data)
Works best for	• Complex products • Distribution of embeds • Evergreen products/brands • E-commerce "deals"	• Time sensitive product launches • Celebrity engagement • Viral content	• Driving specific actions • Customer data gathering • Building loyalty

We have more than 80,000 registered advertisers in over 155 different countries, of which approximately 6,000, 7,000 and 3,500 advertisers created an SMS opportunity during 2010, 2011 and through June 30, 2012, respectively. Advertisers that have used our services include top brands such as Coca-Cola, AT&T, Microsoft, Kraft, HP, LG, Audi, Volvo, Hilton, Walgreens, Hershey and Sony. We have over 800,000 registered social media publishers in over 179 different countries, of which approximately 63,000, 81,000 and 50,000 publishers performed an SMS transaction during 2010, 2011 and through June 30, 2012, respectively, including high-profile celebrities such as Kim Kardashian, Diddy, Rainn Wilson, Mario Lopez, Tyrese, Michael Ian Black and Bow Wow.

Our total number of registered publishers may be higher than the number of our actual individual publishers because some publishers have multiple registrations, other publishers may have died or become incapacitated and others may have registered under fictitious names. Our publishers currently publish sponsored content to blogs, Twitter, Facebook and Foursquare and reach other existing platforms such as Tumblr, LinkedIn, Google and Bing through syndication of that content.

To date, we completed over 3.0 million social media transactions for customers ranging from small local businesses to Fortune 50 organizations. We consider each individual sponsored blog post, tweet, action or other status update as an individual transaction so long as the publisher of that content is being compensated for such post, tweet or other status update.

We derive more than 80% of our revenue from advertisers for the use of our network of social media publishers to fulfill advertiser sponsor requests for a blog post, tweet, click, purchase or action. We derive the remaining portion of our revenue from various service fees charged to advertisers and publishers and media revenue. Service fees to advertisers include fees charged for management of advertising campaigns through our platforms and inactivity fees for dormant accounts. Service fees to publishers include upgrade account fees for obtaining greater visibility to advertisers in advertiser searches in our platforms, early cash out fees if a publisher wishes to be paid sponsorship fees without having met certain minimum balance thresholds and inactivity fees for dormant accounts. We are currently in the early stages of developing an additional revenue stream from targeted display advertising on blogs through the IZEAMedia network. Targeted display advertising is the ability to segment audiences individually by demographic, behavioral, contextual, or geographic means to display the most relevant advertisement to the segment. This display advertising is designed to complement a social media sponsorship campaign on our platforms. Although no assurance can be given, we believe that this network could represent up to 5% of our revenue by the end of 2012.

Industry Background and Trends

Despite the inherently conversational nature of social media, many brand budgets are currently allocated towards display advertising (banner ads and text links) on social sites. While most advertisers understand the value of word of mouth marketing, peer recommendations and product reviews, few understand how to efficiently engage social media users for these purposes. Those who effectively attempt an approach are quickly limited by the amount of effort required to effectively manage and measure a truly integrated campaign.

The SMS space has been limited primarily by the current inefficiencies of the market. The social media publisher and advertiser universe is large and highly fragmented among topic, quality and platform. Despite the size of this market, most advertisers and social media publishers lack an efficient way to identify and engage each other. Instead, we believe brands have been forced to utilize a variety of highly inefficient sources and processes to navigate the complicated landscape of SMS, often resulting in low returns on their time investment or worse-yet, questionable results.

At the same time, social media publishers that would like to monetize their community are faced with significant challenges in finding quality advertisers who are motivated to sponsor them and making them aware of their blog, Twitter or Facebook profile. In addition, smaller publishers simply lack the individual influence and audience needed to warrant the processing of a micro-transaction. In many cases it costs an advertiser more money to cut a check to a small publisher than the value of the sponsorship payment itself.

Further complicating the SMS process for both parties are FTC regulations around social media endorsements, IRS tax reporting generally applicable to anyone receiving income for services, and the associated campaign tracking required to provide compliance. While many advertisers would prefer to be “part of the conversation,” based on our experience operating in this market, we believe the complexity and cost of individual SMS often deters them from doing so.

We believe that the current state of SMS represents a significant corporate opportunity for us. We address these common problems with targeted, scalable marketplaces that aggregate social media publishers and advertisers. We offer an efficient, innovative way for publishers and advertisers of all sizes to find each other and complete a sponsorship transaction.

Our Strengths

Since our inception in 2006, we have worked diligently to establish and leverage key strengths in our business model, including:

A culture of innovation and creativity. We believe the only way to survive and thrive in our rapidly changing world is to change ahead of it. We are in a state of constant evolution and reinvention, this is "The IZEA Way." We have created a culture committed to innovation and creativity that challenges convention and breaks new ground. IZEA team members are protective and proud of our culture by applying its “humble, yet hungry” attitude to all facets of our business. Our people and their innovations ultimately provide us with our largest competitive advantage.

First-mover advantage with a highly disruptive business model. We believe that by pioneering the SMS space and investing heavily in innovation and marketing, we were first to develop positive rapport among publishers and brand marketers alike. This loyalty has resulted in consistent growth of underlying revenue as well as increased participation levels across the business.

Powerful network effect. As more brand marketers contribute opportunities into our marketplaces, we believe we will increase the breadth and depth of monetization value offered to our publisher-partners, attracting more publishers and therefore enhancing the value of our platforms to future brand clients. Our premium platforms have referral programs designed to further enhance the network effect for each publisher we sign up. Directly trackable publisher referrals represent approximately 34% and 28% of all traffic to SponsoredTweets.com and 45% and 49% of new Twitter publisher signups in 2011 and the six months ended June 30, 2012, respectively. Directly trackable publisher referrals are new publisher signups that we receive as the result of a current publisher sharing a unique tracking link to one of our platforms. The link allows us to determine how a new publisher learned about our platform. The referral program in SocialSpark.com has accounted for 36% and 35% of all new blog publisher sign-ups in 2011 and the six months ended June 30, 2012, respectively. We paid referral fees to publishers totaling $22,819, $38,659 and $22,147 in the years ended December 31, 2010, 2011 and in the six months ended June 30, 2012. These programs amplify our marketing spending and decrease the investment required to attract new publishers.

Scalable and leverageable operations. Our unique business model allows revenue to be derived in a variety of ways, all of which rely on our marketplace approach as a hub. We have replicated this business model across multiple new product offerings without substantially increasing our operations and support expense. Moving forward, our goal is to maintain scalable growth through new offerings in the burgeoning social-mobile category.

Our Growth Strategy

After six years of development, we believe our premier platforms are market-tested and ready for growth. Our development efforts have included assembling an industry-experienced senior management team, launching and optimizing our online marketplaces, developing a cross-platform sales force and refining our message to the market. Key elements of our strategy to accelerate revenue growth and continue product development include:

Bolster our sales force and locations. We expect growth of our client development team to be the primary driver of near term revenues. We intend to add additional sales personnel who receive a commission for meeting sales targets to more effectively service clients throughout the United States and the world. Experienced, senior team members are expected to cultivate deep relationships with agencies and brands in our recently opened New York, Los Angeles and Chicago offices as well as smaller satellite locations in key markets. We intend to add inside sales personnel to our Orlando headquarters to service smaller clients over the telephone and Internet. In addition to our expanded presence in the U.S., we intend to open offices in Europe by the end of 2013.

Develop strategic partnerships. Establishing strategic partnerships with companies that can provide additional growth in our base of publishers and brand advertisers. In August 2011, we announced an exclusive alliance with India's UTV to create new monetization opportunities for the estimated 12 million Twitter users in India. Under the terms of the UTV agreement, we and UTV agreed to collaborate on an exclusive basis to develop a co-branded SponsoredTweets service for India pursuant to which we are responsible for operating the co-branded service and UTV is responsible for promoting the co-branded service. The UTV agreement provides that net revenue generated from the co-branded service will be shared between us and UTV ranging between 7.5% for us in the event all tweeters and advertisers are UTV sourced and up to 85% to us if the advertisers are sourced by us, depending on the year of the three-year agreement, with specified percentages within the range based on a combination of UTV sourced tweeters and advertisers. UTV's Indian celebrities including Lara Dutta, Mahesh Bhupati, Anurag Kashyap, Rohan Bopanna and Neetu Chandra, among others, have already signed up for the co-branded SponsoredTweets service.

Continue emphasis on product innovation. Recruiting additional engineering and product development team members to enhance our various marketplaces while developing new technology platforms that complement our mission as a company.

Seek complementary acquisitions. Identifying and acquiring companies, technologies and assets add to our portfolio of software services and drive additional near and long-term revenue. In July 2011, we acquired Germany's Magpie Twitter advertising network of customers that included approximately 12,000 advertisers and 20,000 Twitter publishers in 143 countries.

Develop talent relationships within Staree. Creating partnerships with top talent agencies around the world to target celebrities and athletes to leverage Staree in their day-to-day social media strategy. In May 2012, we entered into celebrity spokesperson agreements with television personality Mario Lopez, Latin Grammy Award-winning recording artist Daddy Yankee, and actors/musicians Logan Henderson and Kendall Schmidt from the band Big Time Rush, pursuant to which they provide us with various endorsement services related to the promotion of Staree. The launch of Staree.com has been our most successful product launch to date, generating 7.4 million page views in its first 60 days, compared to 2.1 million page views for SocialSpark.com and 323 thousand page views for SponsoredTweets.com. We have completed development on a new iPhone version of the Staree mobile app. The new version enables in-app purchases of photos and is currently in the Apple App Store approval process. We expect to receive approval and begin selling in-app items during the month of August 2012.

Customers

We currently have more than 80,000 registered advertisers across our platforms, of which approximately 6,000, 7,000 and 3,500 advertisers created an SMS opportunity during 2010, 2011 and through June 30, 2012. We typically enter into a master agreement, which incorporates the online terms of service of the specified IZEA website, with each of our advertiser customers. Under the master agreement, the advertiser may submit one or more insertion orders pursuant to which such advertiser provides advertising submissions relating to its website, product or service for posting through the specified IZEA website or service. The master agreement is terminable by us or our customers upon 30 days prior written notice or immediately if a material breach has occurred and is not promptly cured. Each party indemnifies the other with regard to various representations made by such party, including the advertiser's representations that its content does not violate any law, or infringe any intellectual property right of another, is not false or deceptive, or defamatory or libelous, and is free of viruses and other computer programming that could damage any system data or personal information, and that it is not engaging in spamming. Fees under the master agreement are payable within 30 days after the date of our invoice in accordance with the terms agreed to in the applicable insertion order. The master agreement additionally provides for standard service disclaimers and limitations of liability for our benefit, as well as a reciprocal confidentiality provision. We also enter into browsewrap and clickwrap agreements with “self service customers” who agree to the terms of service available on the applicable IZEA website and do not separately enter into a master agreement with us.

We provide services to customers in multiple industry segments, including consumer products, retail/eTail, technology and travel. Our customers are predominantly located in the United States followed by the United Kingdom, Canada, Europe, Russia and over 150 other countries. None of our customers accounted for more than 10% of our revenue in the years ended December 31, 2010 and 2011. We had one customer that accounted for 10.5% of our revenue during the six months ended June 30, 2012. At June 30, 2012, two customers, each of who accounted for more than 10% of our accounts receivable, accounted for 40% of total accounts receivable in aggregate. At December 31, 2011, we had two different customers who accounted for 32% of total accounts receivable in aggregate. At December 31, 2010, four customers, each of which accounted for more than 10% of our accounts receivable, accounted for 49% of total accounts receivable in aggregate.

Our business serves advertising and public relations agencies, as well as brands and businesses directly. Below are our top customers in each category based on 2011 booked business:

Agencies Representing Brands	Brands Direct
Alcone Marketing Group	Deal Fun
m80	Dollar General Store
MindShare	H.J. Heinz Co
Rivet	Meridian Auto Parts
Rosetta Marketing Group	Microsoft
Starcom Worldwide SMG	Pier 1
The Food Group	Sunbelt Software
The Stockwire Group	Symantec
VML	The Neilsen Company
Ziptech Media	Tivo

In many cases, social media marketing dollars flow through the advertising or public relations agency, even when we have a direct relationship with the brand. In addition to the agencies listed above, we have done business with the following agencies in 2011:

1080 Communications	Acquirgy
Bernstein-Rein	Bolin Marketing & Advertising
Chemistry Group	Cole & Weber United
Digitaria	Digitas
Edleman	Engauge Digital
Euro RSCG Edge	EVOK Advertising
FKM	FRWD
Garden City Group Communications	Geary Interactive
Geile Leon Marketing Communications	GMLV
Golin Harris	Ignited LLC
Jacobson Rost	JB Chicago
MindSmack	Momentum
Moroch Partners	Moxie Interactive
Neo@Ogilvy	Night Agency
PBM	PHD
Reputation Managers. Rhino Marketing Inc	Run Communications

Inc.	SEOinc
Sitelab	The Mcmilker Group
Triad Retail Media, Inc.	Vision Creative Group
Web.com Search Agency	Watauga Group
Zimmerman and others	Wyse Advertising

Sales and Marketing

We primarily sell SMS through our self-service platforms, directly through our sales team and, to a lesser extent, by utilizing distribution relationships such as resellers, affiliates and white label partners. We target local, national and global brands and advertising agencies in the following ways:

Self-Service Platforms. Each of our platforms has been developed as a self-service platform to enable advertisers and agencies of all sizes to independently access the IZEA network of social media publishers and implement their own SMS. Self-service customers extend our global reach.

Client Development Team. We have developed a client development organization of team members who are each assigned a geographic region or specific brands, primarily within the United States. This team is responsible for identifying and managing sales opportunities in their respective target areas.

Resellers and Distribution Partners. We have developed a group of independent resellers and distribution partners which are responsible for selling one or more of our platforms under an independent contractor relationship. We maintain two types of reseller relationships -local resellers and distribution partners. Local resellers focus their efforts on distributing our WeReward platform to small businesses in local communities throughout the United States. Our distribution partners are complementary relationships that may involve cross-selling activities.

Affiliates. Three of our platforms, SocialSpark, SponsoredTweets and WeReward contain self-service affiliate programs designed to compensate social media publishers for referring other publishers to join these platforms. In these programs, we incur the cost to pay a referral fee to the referrer equal to 10% of the referee's earnings for a two year period. To date, this has proven to be an efficient method of attracting new social media publishers into our publisher network.

White Label Partners. The SocialSpark and SponsoredTweets platforms have also been developed to support white label partners. These partners can operate their own branded or co-branded version of either of these platforms, enabling them to develop their own sales efforts, implement SMS initiatives and tap into our publisher network on a revenue-sharing basis. Currently, Valassis is operating a white label version of SponsoredTweets under its Red Plum Tweets brand.

We focus our corporate marketing efforts on increasing brand awareness, communicating each of our platform advantages, generating qualified leads for our sales team and growing our social media publisher network. Our corporate marketing plan is designed to continually elevate awareness of our brand and generate demand for SMS. We rely on a number of channels in this area, including tradeshows, third party social media platforms (e.g., Facebook and Twitter), IZEA hosted community events, paid searches, public relations and our website.
We use a variety of methods to promote and market Staree, our new social mobile application that allows users to permit (or restrict) the sale of their posted photos and videos to media outlets. In May 2012, we entered into celebrity spokesperson agreements with television personality Mario Lopez and actors/musicians Logan Henderson and Kendall Schmidt from the band Big Time Rush, pursuant to which they provide us with various endorsement services related to the promotion of Staree.

Under these agreements, the celebrities will use Staree as their exclusive social media application in connection with photo and video monetization. They have agreed to provide videos of varying length introducing Staree to the public, as well as ongoing testimonials on their experiences with Staree. The celebrities have also agreed to post personal pictures or videos on a weekly basis during the term of their respective agreements and participate in a media tour for Staree during which they may be interviewed by national media outlets. In return for their endorsement services, we compensate the celebrities through up-front cash payments, the issuance of restricted shares of common stock vesting over the term of the services period and reimbursement of expenses for making personal appearances on our behalf. Our celebrity spokesperson agreements generally have one-year terms.

Revenue Model

We derive more than 80% of our revenue from advertisers for the use of our network of social media publishers to fulfill advertiser sponsor requests for a blog post, tweet, click, purchase or action (sponsored revenue). Advertisers can utilize a single platform to fill a specific need or combine platforms with each other to execute an integrated social media campaign. All of our platforms can be activated and used in a self-serve fashion or with the assistance of our account management team. We earn revenue either on a per blog post, tweet, click, purchase or action basis from opportunities created by advertisers using our platforms or on an advertising campaign basis where we manage the entire campaign for our customers, often using multiple platforms to accomplish a full social media campaign.

The marketplace model of our platforms generates revenue in a manner similar to other online business transaction “matchmaking” services such as Google AdWords and eBay. Typically, for each dollar a marketer or advertiser spends with us for sponsored services, approximately 50% to 80% of it goes to social media publishers. Celebrity publishers typically used in our SponsoredTweets marketplace cost more than our average publisher cost of 50% in other marketplaces.

A fulfillment of an advertiser request is considered successful after the requested post, click or action is approved or verified (either by the advertiser, the IZEA platforms automatically or by an IZEA customer service representative, if we are managing the advertiser account) and listed for the requisite period of time, as applicable (i.e. 30 days for a blog and three days for a tweet or other action). Revenue is only recorded upon successful completion of these actions. If the action was not successful, the advertiser's account would not be charged or invoiced.

We derive the remaining portion of our revenue from various service fees charged to advertisers and publishers (service fee revenue) and media revenue. Service fees to advertisers include fees charged for management of advertising campaigns through our platforms and inactivity fees for dormant accounts. Service fees to publishers include upgrade account fees for obtaining greater visibility to advertisers in advertiser searches in our 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. We set certain minimum cash out balance thresholds, typically $50, in order to encourage publisher cooperation that will enable us to better manage the time, Paypal fees and administrative costs that are associated with each cash out by publishers. Once a publisher's account balance exceeds the minimum balance, they can request to be paid without incurring a fee.

We are currently in the early stages of developing an additional revenue stream within our platforms called IZEAMedia (media revenue). IZEAMedia allows our clients to place targeted display advertising next to sponsored blog content in three of our platforms, SocialSpark, PayPerPost and Staree. Revenue for ad placement is received from the advertiser and shared (typically 50%) with the publisher for who places the ad within their blog. Targeted display advertising is the ability to segment audiences individually by demographic, behavioral, contextual, or geographic means to display the most relevant advertisement to the segment. This display advertising is designed to complement a social media sponsorship campaign on our platforms. Launched in November 2011, IZEAMedia currently delivers approximately 50 million advertising displays per month. Although no assurance can be given, we believe that this network could represent up to 5% of our revenue by the end of 2012.

We were able to achieve gross margins on all our products of approximately 55% and 52% for the years ended December 31, 2011 and 2010, respectively, and 59% for the six months ended June 30, 2012. We are constantly reviewing methods to further increase margins through technology advancements, rebalancing our revenue mix to focus on newer releases, such as WeReward, and entering new high-margin social media markets.

Technology

Our solutions span from blogs to status updates to mobile applications. We aggregate social media publishers into online marketplaces creating scale and targeting. We provide the ability to target publishers based on software rules. We provide self-service platforms that service all business types and sizes. Advertisers can choose the model that best fits their marketing objective: cost per post (CPP) for buzz, cost per click (CPC) for traffic, or cost per action (CPA) for sales. Unlike traditional public relations, advertisers only pay for completed posts, clicks or individual actions as determined by the advertiser. We provide trackable results by automatically embedding tracking links and pixels, as well as support, for third-party tracking (such as DART). We also provide dashboards for real-time reporting, providing immediate feedback. We have the ability to seed thousands of conversations overnight, with room to grow.

Product Development

Our product development team is responsible for platform and infrastructure development, application development, user interface and application design, enterprise connectivity, Internet applications and design, quality assurance, documentation and release management. One of our premier strengths is our knowledge and experience launching and operating scalable social media marketplaces. Our product development expenses, consisting primarily of salaries paid to development personnel and included in general and administrative expenses, were $905,000, $886,000 and $488,000 for the years ended December 31, 2010 and 2011 and the six months ended June 30, 2012, respectively.

Competition

We face competition from multiple companies in the SMS industry. Direct and indirect competitors in the SMS space include Facebook, Glam Media, Federated Media, BlogHer, Ad.ly, Mom Central, WhoSay, Foursquare and Groupon. In addition, there are a number of agencies, public relations firms and niche consultancies that provide social media programs and conduct blogger outreach programs.

Competition for advertising placements among current and future suppliers of Internet navigational and informational services, high traffic websites and SMS providers, as well as competition with other media for advertising placements, could result in significant price competition, declining margins and reductions in advertising revenue. In addition, as we continue our efforts to expand the scope of our services, we may compete with a greater number of other media companies across an increasing range of different services, including in vertical markets where competitors may have advantages in expertise, brand recognition and other areas. If existing or future competitors develop or offer products or services that provide significant performance, price, creative or other advantages over those offered by us, our business, prospects, results of operations and financial condition could be negatively affected. We also compete with traditional advertising media, such as direct mail, television, radio, cable and print for a share of advertisers' total advertising budgets. Many current and potential competitors enjoy competitive advantages over us, such as longer operating histories, greater name recognition, larger customer bases, greater access to advertising space on high-traffic websites, and significantly greater financial, technical, sales and marketing resources. As a result, we may not be able to compete successfully. If we fail to compete successfully, we could lose customers or advertising inventory and our revenue and results of operations could decline.

Proprietary Rights

Proprietary rights are important to our success and our competitive position. To protect our proprietary rights, we rely on copyright, service marks and trade secret laws, confidentiality procedures and contractual provisions.

We do not have patents on any of our technology and we have not filed any patent applications to date because we have determined that the costs of patent prosecution outweigh the benefits given the alternative of reliance upon copyright law to protect our computer code and other proprietary technology and properties. We have registered eight service marks to date, including “IZEA,” “SocialSpark,” "We Reward," "PayPerPost," "InPostLinks," “Blogger's Choice Awards,” “Get Everyone Talking” and “Postie,” and have applied for several other registrations including "Staree," “Blogroll” and “SponsoredPics,” in the United States and intend to seek to register additional service marks as appropriate. There can be no assurance that we will be successful in obtaining the service marks for which we have applied. Even if these applications are approved, the marks may be successfully challenged by others or invalidated. If the applications are not approved because third parties own the service marks, the use of the marks will be restricted unless we enter into arrangements with the third parties which may be unavailable on commercially reasonable terms. We also own more than 700 domain names.

We cannot assure you that any of our proprietary rights with respect to our products or services will be viable or have value in the future since the validity, enforceability and type of protection of proprietary rights in Internet-related industries are uncertain and still evolving.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult, and while we are unable to determine the extent to which piracy of our software products exists, software piracy can be expected to be a persistent problem. In addition, the laws of some foreign countries do not protect proprietary rights to as great an extent as do the laws of the United States, and effective copyright, trademark and trade secret protection may not be available in those jurisdictions. Our means of protecting our proprietary rights may not be adequate to protect us from the infringement or misappropriation of such rights by others.

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights, particularly in the software and Internet-related industries. We could become subject to intellectual property infringement claims as the number of our competitors grows and our products and services overlap with competitive offerings. These claims, even if not meritorious, could be expensive to defend and could divert management's attention from operating our company. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay a substantial award of damages and to develop non-infringing technology, obtain a license or cease selling the products that contain the infringing intellectual property. We may be unable to develop non-infringing technology or obtain a license on commercially reasonable terms, if at all.

Government Regulation

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the Internet, many of which are still evolving and could be interpreted in ways that could harm our business. In the United States and abroad, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims. These regulations and laws may involve taxation, tariffs, publisher privacy, data protection, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services and the characteristics and quality of services. It is not entirely clear how existing laws which govern issues such as property ownership, taxation, export or import matters and personal privacy apply to the Internet, as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. In addition, it is possible that governments of one or more countries may seek to censor content available on our platforms or may even attempt to completely block access to our platforms. Accordingly, adverse legal or regulatory developments could substantially harm our business.

Many states have passed laws requiring notification to subscribers when there is a security breach of personally identifiable data. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies and foreign governments concerning data protection. In addition, data protection laws in Europe and other jurisdictions outside the United States can be more restrictive than those within the United States, and the interpretation and application of these laws are still uncertain and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change and/or abandon certain of our then-existing data practices, which could have an adverse effect on our business. Furthermore, the Digital Millennium Copyright Act has provisions that limit, but do not necessarily eliminate, our liability for linking to third-party websites that contain materials which infringe copyrights or other intellectual property rights of third parties, so long as we comply with the statutory requirements of this act. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

We, and the advertisers and publishers that use our platforms, are subject to Federal Trade Commission ("FTC") and various state rules and regulations on advertising and marketing on the Internet, including the FTC's Dot Com Disclosures - Information about Online Advertising and its Guides Concerning the Use of Endorsements and Testimonials in Advertising (known as the Guides) that were updated and reissued by the FTC in 2009. Each of the foregoing are sub-categories that have been taken up by the FTC under the FTC Act to prevent “unfair or deceptive acts and practices” within advertising. These new Guides, for example, significantly extend the scope of potential liability associated with the use of testimonials and endorsements, including injecting endorsement requirements into new advertising methods such as blogging. In particular, the Guides provide that bloggers must always disclose the consideration they receive for blogging about a particular product, service, brand or the like, whether the consideration comprises something tangible (i.e., cash, objects that are provided to them at no cost, even for testing purposes) or intangible such as accolades and more prominent future blogging opportunities. In the event a publisher, blogger or advertiser should fail to comply with the Dot Com Disclosures, the Guides or any other FTC rule, regulation or policy, which may be manifest by making deceptive, misleading or unsubstantiated claims and representations, failing to disclose a sponsorship relationship or otherwise, then various parties related to the advertising campaign (including the service provider of the platform over which the campaign is managed) may be subject to liability as a result of such non-compliance. The Guides further provide that in order to limit its potential liability, the advertiser should ensure that its bloggers are provided guidance and training needed to ensure their claims, statements and representations are truthful, transparent and properly substantiated. Our failure to comply with both FTC and state advertising rules may result in the potential imposition of penalties that could include monetary damages and an order to cease our operations.

In certain cases, we are retained by advertisers to manage their advertising campaigns through our platforms, thereby increasing our exposure as not only the service provider but also the medium through which advertisements are broadcast. More generally, if there is negative consumer perception and mistrust of the practice of undisclosed compensation to bloggers and publishers to endorse the advertisers' specific products, then this could result in a reduction by advertisers in the use of social media marketing platforms like ours as a means for advertising which could have a material adverse effect on our business and financial results.

We comply with the 1995 European Union Data Protection Directive with regard to data we collect from users located in the European Union. We do not transfer data collected from users located in the European Union outside of the European Union without first obtaining their express consent. We are currently monitoring potential changes to the 1995 European Union Data Protection Directive to ensure that we are compliant with relevant requirements when and to the extent they are implemented.

As a governing member of a leading marketing and advertising industry association, the Word of Mouth Marketing Association (WOMMA), we are committed to promoting ethical SMS practices and have established codes of ethics for our platforms which include one or more of the following:

Mandatory Disclosure. We mandate disclosure of the sponsored relationship between the advertiser and publisher. In the case of SponsoredTweets, SocialSpark and WeReward a sponsorship cannot be published through the applicable IZEA platform unless a phrase or paragraph disclosing the sponsored relationship is included. For example, in SponsoredTweets, a publisher is required to select one of a number of disclosure phrases such as “sponsored,” “advertisement” or “ad” prior to the publication of the tweet. Additionally, each SocialSpark campaign includes a Disclosure Audit tool for advertisers that provides them with a report that monitors posts on an ongoing basis to make sure that posts continue to include disclosure after the initial posts are approved. In the case of PayPerPost and InPostLinks, publications are made outside of the platform, thus monitoring such posts are considerably more difficult, but users of these services are similarly required to adhere to our terms of service and code of ethics applicable to them, or risk being terminated. However, as is the case with SponsoredTweets and SocialSpark, failure to disclose the sponsored relationship is a violation of our terms of service, which may result in the withholding of payment for the sponsorship, and the publisher being removed from our network.

Freedom of Choice. Publishers are free to choose which sponsorships to publish. Our platforms never auto-inject an advertiser's message into a publisher's social media network.

Authentic Voice. We encourage honesty of opinion in the selection of sponsorships by a publisher and similarly we encourage advertisers to create opportunities that allow the publisher to write the sponsorship in their own words, provided that a publisher always adheres to our terms of service and code of ethics which includes disclosing their sponsored relationships at all times while using any of the platforms.

Transparency of Identity. Our platforms are designed to be open, safe environment for our advertisers, publishers and users. In fact, we do not cloak the identities of advertisers or publishers. Both parties involved in a potential transaction can see each other's profiles and make informed decisions before engaging with each other.

Pre-Publication Advertiser Review. In the case of SponsoredTweet and SocialSpark, advertisers have the ability to review their sponsored content before it is published and to request a change to the sponsored content prior to publication in the case of factual inaccuracies.

Reporting Violations. We have zero tolerance for violation of our code of ethics and encourage the reporting of violations through a special page on our websites dedicated to reporting violations. If violations are reported, they are promptly investigated by us and in appropriate cases, advertisers, publishers and users are removed from our network and prohibited from using our sites. In addition, we take an active role in reporting spam accounts to Twitter and Facebook.

In addition to the compliance and monitoring programs described above, we have created an FTC Survival Guide for our platform users that is available on our corporate website. We also believe, and have subsequently included requirements within our code of ethics, based on positions taken by certain federal courts and the FTC, that communications and messages disseminated by publishers through social media networks are subject to and must comply at all times with CAN-SPAM Act (Controlling the Assault of Non-Solicited Pornography and Marketing Act) requirements.

To date, we have not been materially impacted by the rules governing messaging over social media networks and SMS, including the CAN-SPAM Act and the Telephone Consumer Protection Act of 1991. However, we cannot predict the impact of future regulations on us, our advertisers or our publishers that use our platforms or the impact of attempts to circumvent our mechanisms that are designed to ensure compliance.

Employees

As of September 5, 2012 , we had a total of 37 full-time employees, including 25 in sales and marketing, 9 in product engineering and 3 in administration and finance. None of our employees is represented by a collective bargaining agreement, nor have we experienced any work stoppage. We consider our relations with our employees to be good. Our future success depends on our continuing ability to attract and retain highly qualified engineers, graphic designers, computer scientists, sales and marketing and senior management personnel.

Properties

Our principal executive offices occupy approximately 8,000 square feet in Orlando, Florida under a lease that expires in December 2012. We have identified and tentatively secured alternative office space where we can move our headquarters at the end of this year that would be on terms more beneficial than our current lease.

We also maintain sales office space in New York City and Chicago through short-term rental agreements. We believe that our facilities are adequate to meet our needs for the foreseeable future.

Total rent expense recorded in general and administrative expense in the accompanying statements of operations was approximately $210,000, $287,000 and $172,000 for the years ended December 31, 2010 and 2011 and the six months ended June 30, 2012, respectively.

Legal Proceedings

We are not involved in any pending or threatened litigation or other legal proceedings.

MANAGEMENT

Executive Officers, Directors and Key Employees

The names and ages of our executive officers, directors and key employees, and their positions with us, are as follows:

Name	Age	Position
Edward H. (Ted) Murphy	36	Founder, President, Chief Executive Officer and Director
Donna L. Mackenzie	51	Chief Financial Officer, Secretary, Treasurer and Director
Ryan S. Schram	32	Chief Marketing Officer
Brian W. Brady	53	Director
Daniel R. Rua	43	Director
Ed Sim	41	Director
Tom Geraghty	48	Senior Vice President of Products and Partnerships

The principal occupations for the past five years (and, in some instances, for prior years) of each of our executive officers, directors and key employees are as follows:

Executive Officers

Edward H. (Ted) Murphy, Founder, President, Chief Executive Officer and Director, founded IZEA in February 2006 as part of MindComet Corp., an interactive advertising agency that he started in 1999 and served as Chief Executive Officer. IZEA was later spun out of MindComet in September 2006. Mr. Murphy is a serial entrepreneur who is recognized as a pioneer in paid blogging and a catalyst behind the SMS industry. As the Founder, President and Chief Executive Officer, Mr. Murphy leads our company, both with his day-to-day operational leadership and with his strategic vision for the company and its products. His efforts have received recognition from media outlets including The Wall Street Journal, CNBC, Wired, USA Today, Forbes, The New York Times, Business Week, PC World, CNN Money, Fortune, Fortune Small Business and Business 2.0. In addition to media coverage, Mr. Murphy has spoken and keynoted panels at a variety of events including Blog World Expo, Always On, Florida Venture Forum, SMX and Dow Jones Venture One Summit. Mr. Murphy attended Florida State University before starting MindComet and several other earlier Internet-related businesses. Mr. Murphy was appointed as a director based on his extensive SMS industry knowledge and a deep background in social media, mobile technology and e-commerce, as well as significant experience in financing technology growth companies.

Donna L. Mackenzie, Chief Financial Officer, Secretary, Treasurer and Director, joined us in September 2007, as a senior executive leading our financial, operational and customer service areas. Ms. Mackenzie was previously the Senior Vice President and Chief Financial Officer of Channel Intelligence, Inc. from 2003 to June 2007. Ms. Mackenzie currently serves as the President of the Central Florida Chapter of Financial Executives Institute (FEI), and also serves on the CFO Conference Committee and the Operational Finance and Accounting advisory group of the American Institute of Certified Public Accountants (AICPA). She also previously served on the AICPA Business and Industry Executive Committee. She is a licensed Certified Public Accountant in the State of Florida. Ms. Mackenzie holds a B.B.A. degree in accounting from the University of Alaska, Anchorage. Ms. Mackenzie was appointed as a director based on her extensive knowledge of financial, accounting and operational issues highly relevant to our business. She also brings transactional expertise in mergers and acquisitions, equity offerings and bank financings.

Ryan S. Schram, Chief Marketing Officer, joined us in September 2011 as a senior executive leading our client development, account management, brand marketing, public relations and publisher alliance organizations. Prior to joining us, from 2005 to 2011, Mr. Schram served in various leadership roles, most recently as Group Vice President, at ePrize, the industry leader in integrated engagement marketing. Prior to that, Mr. Schram held roles of increasing responsibility at CBS/Westwood One and Clear Channel Interactive. Mr. Schram holds a B.A. degree in management from the Eli Broad College of Business at Michigan State University.

Directors

Brian W. Brady, Director, joined our board of directors on August 7, 2012. Mr. Brady is the Founder and Chief Executive Officer of Northwest Broadcasting, Inc., which owns and operates seven television stations including FOX affiliates in four U.S. markets, since 1995. Mr. Brady has also been the President of Eagle Creek Broadcasting, which owns and operates a CBS affiliate in Laredo, Texas, since 2002. Mr. Brady served on the FOX Affiliate Board for nine years, serving as Chairman for four of those years. The FOX Affiliate Board is a representative body of independent stations affiliated with the FOX Network, part of News Corporation. He currently serves on the Boards of the National Association of Broadcasters (NAB) and Syncbak, Inc. Mr. Brady previously served on the board of directors of The Ferris Foundation and Saga Communications, a publicly-traded media company. Mr. Brady holds a B.S. degree in advertising from Ferris State University. Mr. Brady was selected to serve as a member of our board of directors due to his more than 25 years of experience in the multi-media industry making his input invaluable to us as we expand our portfolio of clients and platform offerings.

Daniel R. Rua, Director, rejoined our board of directors on July 31, 2012. Mr. Rua was previously our executive Chairman from September 2006 to May 2011 and an early investor in our predecessor entity IZEA Innovations, Inc. Mr. Rua has been a Managing Partner of Inflexion Partners, an early-stage venture capital fund, since January 2002. Prior to Inflexion, Mr. Rua was a Partner with Draper Atlantic, the east coast fund of Silicon Valley's early-stage venture firm Draper Fisher Jurvetson, from 1999 to 2002. Prior to Draper Atlantic, Mr. Rua led internet protocol development at IBM's Networking Labs in Research Triangle, from 1991 to 1999. Mr. Rua is a former director of InphoMatch (acquired by Sybase) and AuctionRover (acquired by Overture/Yahoo), and serves other board and operating roles as part of his technology investing. Mr. Rua holds a B.S. degree in computer engineering from the University of Florida. He also earned a J.D. from the University of North Carolina School of Law and an M.B.A. from the Kenan-Flagler Business School of the University of North Carolina. Mr. Rua was selected to serve as a member of our board of directors due to his extensive knowledge of our products and services as a former director, as well as his many years of experience in venture capital investing and operational leadership of other technology growth companies.

Ed Sim, Director, joined our board of directors in June 2012. He is a founding member and Managing Partner of BOLDstart Ventures, a seed venture capital firm that invests in early stage technology companies, since April 2010. Mr. Sim is also a founding member and Managing Director of Dawntreader Ventures, a venture capital firm that invests in software, Internet and digital media companies, since April 1998. From 1996 to 1998, Mr. Sim worked at New York-based Prospect Street Ventures, and with the Structured Derivatives Group at JPMorgan. Mr. Sim is a former director of Answers Corporation (Nasdaq: ANSW); Greenplum (acquired by EMC, NYSE: EMC), GoToMyPC/GoToMeeting (acquired by Citrix, Nasdaq: CTXS), Moreover Technologies (acquired by Verisign, Nasdaq: VRSN), LivePerson (Nasdaq: LPSN), Gizmo5 (acquired by Google, Nasdaq: GOOG), and Flashbase (acquired by DoubleClick, Nasdaq: DCLK). Mr. Sim holds a B.A. degree in Economics from Harvard College and is a certified financial analyst. Mr. Sim was selected to serve as a member of our board of directors due to his extensive background in and experience with the venture capital industry, providing guidance and counsel to a wide variety of Internet and technology companies.

All directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Officers are elected annually by the board of directors and serve at the discretion of the board.

Key Employees

Tom Geraghty, Senior Vice President of Products and Partnerships, joined us in July 2012 and leads our product development, software engineering and strategic partnerships organizations. Mr. Geraghty was most recently the Chief Privacy Officer of Channel Intelligence, where he managed multiple product groups and initiatives, from February 2000 to June 2012. He also led Channel Intelligence's leading "Where-to-Buy" service that helped drive double digit year-over-year growth for two fiscal years, while also managing the integration of an acquired company. During this time he also served as Senior Vice President of Commerce for MyList, a subsidiary of Channel Intelligence. Mr. Geraghty received a B.A. degree from Penn State University and is a Certified Internet Privacy Professional (CIPP-US), recognized by the International Association of Privacy Professionals.

Family Relationships

There are no family relationships among our directors and executive officers.

Involvement in Certain Legal Proceedings

To our knowledge, during the past ten years, none of our directors, executive officers, promoters, control persons or nominees has been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and

other minor offenses);

- subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law.

Compliance with Section 16(a) of the Exchange Act

We are not currently required to make Section 16 filings.

Code of Ethics

We have adopted a code of business conduct and ethics that applies to all our directors, officers (including our chief executive officer, chief financial officer and any person performing similar functions) and employees. We have made our Code of Ethics available on our website at www.izea.com.

Corporate Governance

We have established an audit committee, compensation committee and nominating committee; however, we have not nominated any members to such committees. To date, our entire board has performed all of the duties and responsibilities which might be contemplated by a committee.

Audit Committee. The audit committee will be composed of three independent directors, one of whom that meets the requirements of an "Audit Committee Financial Expert." The audit committee's duties will be to recommend to the board of directors the engagement of independent auditors to audit our financial statements and to review our accounting and auditing principles. The audit committee will review the scope and fees for the annual audit and the results of audit examinations performed by the internal auditors and independent public accountants, including their recommendations to improve the system of accounting and internal controls. The audit committee will at all times to be composed exclusively of directors who are, in the opinion of the board of directors, free from any relationship which would interfere with the exercise of independent judgment as a committee member and who possess an understanding of financial statements and generally accepted accounting principles.

Compensation Committee. The compensation committee will be composed of at least two independent directors. The compensation committee will review and approve our compensation policies, including compensation of executive officers. The compensation committee will also review and administer our stock option plans, and recommend and approve grants of stock options under that plan.

Nominating Committee. The nominating committee will be composed of at least two independent directors. The purpose of the nominating committee will be to select, or recommend for our entire board's selection, the individuals to stand for election as directors at the annual meeting of stockholders and to oversee the selection and composition of committees of our board. The nominating committee's duties will also include considering the adequacy of our corporate governance and overseeing and approving management continuity planning processes.

We do not currently have specified procedures in place pursuant to which security holders may recommend nominees to the board of directors.

Executive Compensation

The following table sets forth the cash compensation as well as certain other compensation earned during the last two fiscal years for (i) each person who served as our principal executive officer ("PEO") during the year ended December 31, 2011 and (ii) our two other most highly compensated executive officers other than the PEO who were serving as an executive officer as of December 31, 2011 (collectively referred to as the "Named Executive Officers").

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($) (1)	Non-Equity Incentive Plan Compen-sation ($)	Non-qualified Deferred Compen-sation Earnings ($)	All Other Compen-sation ($)	Total ($)
Edward H. (Ted) Murphy	2011	181,875	40,000	—	37,876	—	—	—	259,751
President and Chief Executive Officer	2010	160,000	—	—	—	—	—	—	160,000
Donna L. Mackenzie	2011	189,375	40,000	—	24,748	—	—	—	254,123
Chief Financial Officer and Secretary/Treasurer	2010	180,000	—	—	—	—	—	—	180,000
Ryan S. Schram	2011	70,621	19,213	—	61,650	—	—	—	151,484
Chief Marketing Officer (2)	2010	—	—	—	—	—	—	—	—
Daniel R. Rua	2011	25,385	—	—	3,549	—	—	—	28,934
Director and Former Executive Chairman (3)	2010	30,000	—	—	—	—	—	—	30,000
Anthony Barron	2011	—	—	—	—	—	—	—	—
Former Chief Executive Officer and Treasurer (4)	2010								