

IZEA, Inc.
Form 10-Q
August 14, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2018

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

For the transition period from _____ to _____

Commission File No.: 001-37703

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

Nevada 37-1530765
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

480 N. Orlando Avenue, Suite 200 32789
Winter Park, FL
(Address of principal executive offices) (Zip Code)

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

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

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

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

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

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

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

APPLICABLE ONLY TO CORPORATE REGISTRANTS

As of August 13, 2018, there were 10,665,698 shares of our common stock outstanding.

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Quarterly Report on Form 10-Q for the period ended June 30, 2018

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

IZEA, Inc.

Unaudited Consolidated Balance Sheets

	June 30, 2018	December 31, 2017
Assets		
Current:		
Cash and cash equivalents	\$1,878,159	\$3,906,797
Accounts receivable, net	2,821,401	3,647,025
Prepaid expenses	626,246	389,104
Other current assets	40,456	9,140
Total current assets	5,366,262	7,952,066
Property and equipment, net	315,987	286,043
Goodwill	3,604,720	3,604,720
Intangible assets, net	451,873	667,909
Software development costs, net	1,078,337	967,927
Security deposits	148,103	148,638
Total assets	\$10,965,282	\$13,627,303
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$1,527,539	\$1,756,841
Accrued expenses	1,112,108	1,592,356
Contract liabilities	4,434,627	—
Unearned revenue	—	3,070,502
Line of credit	845,365	500,550
Current portion of deferred rent	40,307	45,127
Current portion of acquisition costs payable	386,872	741,155
Total current liabilities	8,346,818	7,706,531
Deferred rent, less current portion	—	17,419
Acquisition costs payable, less current portion	351,150	609,768
Total liabilities	8,697,968	8,333,718
Commitments and Contingencies	—	—
Stockholders' equity:		
Preferred stock; \$.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.0001 par value; 200,000,000 shares authorized; 5,860,933 and 5,733,981, respectively, issued and outstanding	586	573
Additional paid-in capital	53,335,845	52,570,432
Accumulated deficit	(51,069,117)	(47,277,420)
Total stockholders' equity	2,267,314	5,293,585

Total liabilities and stockholders' equity	\$10,965,282	\$13,627,303
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See accompanying notes to the unaudited consolidated financial statements.

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IZEA, Inc.

Unaudited Consolidated Statements of Operations

	Three Months Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Revenue	\$4,120,960	\$5,712,904	\$8,017,401	\$10,547,409
Costs and expenses:				
Cost of revenue (exclusive of amortization)	1,930,298	2,714,699	4,093,440	5,051,759
Sales and marketing	1,735,596	1,886,528	3,491,122	4,275,348
General and administrative	1,970,610	2,166,370	3,585,832	4,613,288
Depreciation and amortization	210,691	358,260	476,146	720,866
Total costs and expenses	5,847,195	7,125,857	11,646,540	14,661,261
Loss from operations	(1,726,235)	(1,412,953)	(3,629,139)	(4,113,852)
Other income (expense):				
Interest expense	(35,403)	(13,272)	(56,714)	(30,348)
Change in fair value of derivatives, net	113,801	(8,420)	(11,794)	(9,038)
Other income (expense), net	82	(11,953)	4,772	(12,580)
Total other income (expense), net	78,480	(33,645)	(63,736)	(51,966)
Net loss	\$(1,647,755)	\$(1,446,598)	\$(3,692,875)	\$(4,165,818)
Weighted average common shares outstanding – basic and diluted	5,837,476	5,676,629	5,819,883	5,637,636
Basic and diluted loss per common share	\$(0.28)	\$(0.25)	\$(0.63)	\$(0.74)

See accompanying notes to the unaudited consolidated financial statements.

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IZEA, Inc.

Unaudited Consolidated Statement of Stockholders' Equity

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance, December 31, 2017	5,733,981	\$ 573	\$52,570,432	\$(47,277,420)	\$ 5,293,585
Stock purchase plan issuances	11,189	1	9,034	—	9,035
Cumulative effect of change in accounting policy to ASC 606	—	—	—	(98,822)	(98,822)
Stock issued for payment of services	30,265	3	124,997	—	125,000
Stock issuance costs	—	—	(700)	—	(700)
Stock-based compensation	85,498	9	632,082	—	632,091
Net loss	—	—	—	(3,692,875)	(3,692,875)
Balance, June 30, 2018	5,860,933	\$ 586	\$53,335,845	\$(51,069,117)	\$ 2,267,314

See accompanying notes to the unaudited consolidated financial statements.

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IZEA, Inc.

Unaudited Consolidated Statements of Cash Flows

	Six Months Ended	
	June 30,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$(3,692,875)	\$(4,165,818)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	112,866	113,429
Amortization of software development costs and other intangible assets	363,280	607,437
(Gain) loss on disposal of equipment	(1,400)	(3,687)
Provision for losses on accounts receivable	—	39,827
Stock-based compensation	349,632	326,846
Fair value of stock issued for payment of services	62,490	83,462
Decrease in fair value of contingent acquisition costs payable	(485,747)	(56,000)
Gain on settlement of acquisition costs payable	—	(10,491)
Change in fair value of derivatives, net	11,794	9,038
Changes in operating assets and liabilities, net of effects of business acquired:		
Accounts receivable	825,624	(418,464)
Prepaid expenses and other current assets	64,717	63,067
Accounts payable	(229,302)	36,573
Accrued expenses	(607,402)	533,123
Contract liabilities	1,265,303	—
Unearned revenue	—	550,514
Deferred rent	(22,239)	(17,826)
Net cash used for operating activities	(1,983,259)	(2,308,970)
Cash flows from investing activities:		
Purchase of equipment	(141,410)	(8,577)
Increase in software development costs	(257,654)	(85,460)
Security deposits	535	4,937
Net cash used for investing activities	(398,529)	(89,100)
Cash flows from financing activities:		
Proceeds from line of credit, net of repayments	344,815	—
Proceeds from stock purchase plan issuances	9,035	16,232
Stock issuance costs	(700)	(3,626)
Net cash provided by financing activities	353,150	12,606
Net decrease in cash and cash equivalents	(2,028,638)	(2,385,464)
Cash and cash equivalents, beginning of year	3,906,797	5,949,004
Cash and cash equivalents, end of period	\$1,878,159	\$3,563,540
Supplemental cash flow information:		
Cash paid during the period for interest	\$52,756	\$—
Non-cash financing and investing activities:		
Acquisition costs paid through issuance of common stock	\$—	\$938,532

Fair value of common stock issued for future services	\$386,506	\$—
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See accompanying notes to the unaudited consolidated financial statements.

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IZEA, Inc.
Notes to the Unaudited Consolidated Financial Statements

NOTE 1. COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Information

The accompanying consolidated balance sheet as of June 30, 2018, the consolidated statements of operations for the three and six months ended June 30, 2018 and 2017, the consolidated statement of stockholders' equity for the six months ended June 30, 2018 and the consolidated statements of cash flows for the six months ended June 30, 2018 and 2017 are unaudited but include all adjustments that are, in the opinion of management, necessary for a fair presentation of its financial position at such dates and its results of operations and cash flows for the periods then ended in conformity with generally accepted accounting principles in the United States ("GAAP"). The consolidated balance sheet as of December 31, 2017 has been derived from the audited consolidated financial statements at that date but, in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"), does not include all of the information and notes required by GAAP for complete financial statements. Operating results for the three and six months ended June 30, 2018 are not necessarily indicative of results that may be expected for the entire fiscal year. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 31, 2017 included in the Company's Annual Report on Form 10-K filed with the SEC on April 17, 2018.

Nature of Business

IZEA, Inc. (together with its wholly-owned subsidiaries, "we," "us," "our," "IZEA" or the "Company") was founded in February 2006 under the name PayPerPost, Inc. and became a public company incorporated in the state of Nevada in May 2011. In January 2015, IZEA purchased all of the outstanding shares of capital stock of Ebyline, Inc. ("Ebyline"). In July 2016, IZEA purchased all the outstanding shares of capital stock of ZenContent, Inc. ("ZenContent"). The legal entity of ZenContent was dissolved in December 2017 after all assets and transactions were transferred to IZEA. On March 9, 2016, the Company formed IZEA Canada, Inc., a wholly-owned subsidiary, incorporated in Ontario, Canada to operate as a sales and support office for IZEA's Canadian customers. The Company is headquartered near Orlando, Florida with additional offices in Illinois, California and Canada.

The Company creates and operates online marketplaces that connect marketers with content creators. The creators are compensated by IZEA for producing unique content such as long and short form text, videos, photos, status updates, and illustrations for marketers or distributing such content on behalf of marketers through their personal websites, blogs, and social media channels. Marketers receive influential consumer content and engaging, shareable stories that drive awareness.

The Company's primary technology platform, The IZEA Exchange ("IZEAx"), enables transactions to be completed at scale through the management of custom content workflow, creator search and targeting, bidding, analytics, and payment processing. IZEAx is designed to provide a unified ecosystem that enables the creation and publication of multiple types of custom content through a creator's personal websites, blogs, or social media channels including Twitter, Facebook, Instagram, and YouTube, among others. In addition to IZEAx, the Company operates the Ebyline technology platform, which it acquired in January 2015. The Ebyline platform was originally designed as a self-service content marketplace to replace editorial newsrooms in the news agencies with a "virtual newsroom" to handle their content workflow.

Liquidity and Going Concern

The Company's financial statements are prepared using GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred significant net losses and negative cash flow from operations for most periods since its inception, which has resulted in a total accumulated deficit of \$51,069,117 as of June 30, 2018. For the six months ended June 30, 2018, the

Company had a net loss of \$3,692,875 and the Company expects to incur a net loss for the fiscal year 2018. The Company's cash balance as of June 30, 2018 was \$1,878,159 and the Company's operating activities used cash of \$1,983,259 for the six months ended June 30, 2018. The Company's revenues decreased year-over-year in the first and second quarter of 2018. Net bookings from the Company's customers in the second quarter of 2018 that translate into future revenues were lower than in prior years and therefore, the Company believes revenue will also decrease year-over-year in the third quarter of 2018 due to the lower bookings. If the Company's annual revenue continues to decline from prior year levels at a rate similar to or greater than the decline in the first half of 2018 and future commitments do not increase as anticipated, the Company's cash resources will likely be insufficient to meet its obligations as they become due during the next twelve months.

As further discussed in Note 9, the Company received net proceeds of \$3,140,647 from an underwritten public offering on July 2, 2018. The Company used a portion of these proceeds to finance its merger with TapInfluence, Inc. ("TapInfluence"), which closed on July 26, 2018. At closing, the Company paid to TapInfluence stockholders the sum of \$1,500,000 less an estimated closing working capital adjustment of negative \$181,633 in cash, and issued 1,150,000 shares of the Company's common stock valued at \$1,759,500 based on the \$1.53 closing market price of the Company's common stock on July 26, 2018. The Company

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Notes to the Unaudited Consolidated Financial Statements

has agreed to pay TapInfluence stockholders an additional \$4,500,000 in the form of cash, common stock or a combination thereof, at IZEA's option, in two installments - \$1,000,000 six months after the closing date of the merger and \$3,500,000 twelve months after the closing date of the merger. The Company does not have enough cash to cover these current obligations and will rely on its ability to issue shares of its common stock as payment, its ability to raise additional capital through the sale of equity or equity linked securities, or its ability to utilize or secure other debt financing to pay for its current obligations.

The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses and its acquisition liabilities until it achieves and maintains profitability. Management's plans to continue as a going concern include raising additional capital through sales of securities, issuing shares of stock to pay for its obligations, and increasing its borrowing levels. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. If the Company is not able to increase sales, obtain and sustain profitability after its acquisition and obtain the necessary additional financing on a timely basis or on acceptable terms, the Company will be required to delay, reduce the scope of, or eliminate current expansion and development plans, initiate reductions in its workforce, or perhaps even cease the operation of its business. Therefore, there is substantial doubt about the ability of the Company to continue as a going concern for one year from the issuance of the accompanying financial statements. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Principles of Consolidation

The consolidated financial statements include the accounts of IZEA, Inc. and its wholly-owned subsidiaries, Ebyline after its acquisition on January 27, 2015, ZenContent, Inc. after its acquisition on July 31, 2016 until its closure in December 2017, and IZEA Canada, Inc. after its formation in March 2016. All significant intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements were prepared using the acquisition method of accounting with IZEA considered the accounting acquirer of Ebyline and ZenContent. Under the acquisition method of accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values with any excess purchase price allocated to goodwill.

Restatement

As described in its Annual Report on Form 10-K for the year ended December 31, 2017, the Company restated its previously issued financial statements included in its Annual Reports on Form 10-K for the years ended December 31, 2015 and 2016 and Quarterly Reports on Form 10-Q for each quarterly period for the years ended December 31, 2015 and 2016, and for the first three quarters for the year ended December 31, 2017 (collectively, the "Restated Periods").

The restatement reclassified direct costs associated with the Company's Content Workflow transactions previously reported as cost of revenue to net them directly against revenue in the Company's consolidated statements of operations. Additionally, the Company reclassified the cost of its campaign fulfillment personnel out of sales and marketing expenses and into cost of revenue. As part of the restatement process, the Company also elected to present depreciation and amortization expense as a separate line item. The restatement of the consolidated statement of operations reflected no change in the Company's previously reported loss from operations, net loss, loss per share, or on any of the Company's consolidated balance sheets, statements of cash flows, and statements of stockholders' equity. All amounts related to the Restated Periods of the consolidated statement of operations included herein reflect the restated amounts as reflected in Notes 2 and 14 of the Audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed on April 17, 2018.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less from the date of purchase to be cash equivalents.

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are customer obligations due under normal trade terms. Uncollectibility of accounts receivable is not significant since most customers are bound by contract and are required to fund the Company for all the costs of an “opportunity,” defined as an order created by a marketer for a creator to develop or share content on behalf of a marketer. If a portion of the account balance is deemed uncollectible, the Company will either write-off the amount owed or provide a reserve based on the uncollectible portion of the account. The Company controls credit risk through credit approvals, credit limits and monitoring procedures. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. Management determines the collectibility of accounts by regularly evaluating individual customer receivables and considering a customer’s financial condition, credit history and current economic conditions. The Company had a reserve of \$189,000 for doubtful accounts as of June 30, 2018 and December 31, 2017. Management believes that this estimate is reasonable, but there

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Notes to the Unaudited Consolidated Financial Statements

can be no assurance that the estimate will not change as a result of a change in economic conditions or business conditions within the industry, the individual customers or the Company. Any adjustments to this account are reflected in the consolidated statements of operations as a general and administrative expense. Bad debt expense was less than 1% of revenue for the three and six months ended June 30, 2018 and 2017.

Concentrations of credit risk with respect to accounts receivable are typically limited because a large number of geographically diverse customers make up the Company's customer base, thus spreading the trade credit risk. The Company had no customer that accounted for more than 10% of total accounts receivable at June 30, 2018 and no customer that accounted for more than 10% of total accounts receivable at December 31, 2017. The Company had one customer that accounted for 18% of its revenue during the six months ended June 30, 2018 and one customer that accounted for 11% of its revenue during the six months ended June 30, 2017. The Company had one customer that accounted for 16% of its revenue during the three months ended June 30, 2018 and no customer that accounted for more than 10% of its revenue during the three months ended June 30, 2017.

Property and Equipment

Property and equipment are recorded at cost, or if acquired in a business combination, at the acquisition date fair value. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computer Equipment	3 years
Software Costs	3 - 5 years
Office Equipment	3 - 10 years
Furniture and Fixtures	5 - 10 years

Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful lives of the improvements. Property and equipment under capital leases are depreciated over their estimated useful lives. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements are capitalized and depreciated over the remaining useful lives of the assets. The carrying amounts of assets sold or retired and the related accumulated depreciation are eliminated in the year of disposal, with resulting gains or losses included in general and administrative expense.

Depreciation expense on property and equipment recorded in depreciation and amortization expense in the accompanying consolidated statements of operations was \$112,866 and \$113,429 for the six months ended June 30, 2018 and 2017, respectively. Depreciation expense on property and equipment recorded in depreciation and amortization expense in the accompanying consolidated statements of operations was \$56,828 and \$54,541 for the three months ended June 30, 2018 and 2017, respectively. Property and equipment is recorded net of accumulated depreciation and amortization amounts of \$892,158 and \$790,029 as of June 30, 2018 and December 31, 2017, respectively.

Goodwill

Goodwill represents the excess of the purchase consideration of an acquired business over the fair value of the underlying net tangible and intangible assets. The Company has goodwill in connection with its acquisitions of Ebyline and ZenContent. Goodwill is not amortized, but instead it is tested for impairment at least annually. In the event that management determines that the value of goodwill has become impaired, the Company will record a charge for the amount of impairment during the fiscal quarter in which the determination is made.

The Company performs its annual impairment tests of goodwill during the fourth quarter of each year, or more frequently, if certain indicators are present. Goodwill is required to be tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below the operating segment level, which is referred to as a

component. Management identifies its reporting units by assessing whether components (i) have discrete financial information available; (ii) engage in business activities; and (iii) whether a segment manager regularly reviews the component's operating results. Net assets and goodwill of acquired businesses are allocated to the reporting unit associated with the acquired business based on the anticipated organizational structure of the combined entities. If two or more components are deemed economically similar, those components are aggregated into one reporting unit when performing the annual goodwill impairment review. The Company has determined that prior to and after the acquisitions of Ebyline and ZenContent, it had, and continues to have, one reporting unit.

Intangible Assets

The Company acquired the majority of its intangible assets through its acquisition of Ebyline on January 30, 2015 and its acquisition of ZenContent on July 31, 2016. The Company is amortizing the identifiable intangible assets over periods of 12 to 60 months. See Note 3 for further details.

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

Management reviews long-lived assets, including property and equipment, software development costs and other intangible assets, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared with the asset's carrying amount to determine if there has been an impairment, which is calculated as the difference between the fair value of an asset and its carrying value. Estimates of future undiscounted cash flows are based on expected growth rates for the business, anticipated future economic conditions and estimates of residual values. Fair values take into consideration management estimates of risk-adjusted discount rates, which are believed to be consistent with assumptions that marketplace participants would use in their estimates of fair value. For the three and six months ended June 30, 2018 and 2017, there were no impairment charges associated with the Company's long-lived assets.

Software Development Costs

In accordance with ASC 350-40, Internal Use Software, the Company capitalizes certain internal use software development costs associated with creating and enhancing internally developed software related to its platforms. Software development activities generally consist of three stages (i) the research and planning stage, (ii) the application and development stage, and (iii) the post-implementation stage. Costs incurred in the planning and post-implementation stages of software development, or other maintenance and development expenses that do not meet the qualification for capitalization are expensed as incurred. Costs incurred in the application and infrastructure development stage, including significant enhancements and upgrades, are capitalized. These costs include personnel and related employee benefits expenses for employees or consultants who are directly associated with and who devote time to software projects, and external direct costs of materials obtained in developing the software. These software development and acquired technology costs are amortized on a straight-line basis over the estimated useful life of five years upon initial release of the software or additional features. See Note 4 for further details.

Revenue Recognition

The Company derives its revenue from providing content services or managing advertising campaigns for its customers, as well as from making its platforms available to allow customers the ability to purchase content directly from its creators. Managed Services is when a marketer (typically a brand, agency or partner) contracts IZEA to provide custom content or sponsored social services (including amplification services). Content Workflow is derived from the self-service use of the Company's platforms by marketers and partners to handle their content workflow, from initial request of a content, sponsorship or amplification service to actual review, approval, tracking and receipt of the content or distribution. Service Fee Revenue is generated from various service and license fees charged to users of the Company's platforms.

On January 1, 2018, the Company adopted Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (ASC 606) using the modified retrospective method, under which comparative periods will not be restated and the cumulative effect of applying the standard will be recognized at the date of initial adoption on January 1, 2018. Under the modified retrospective method, the Company only applied the new standard to contracts that were not completed as of January 1, 2018. Under ASC 606, revenue is recognized based on a five-step model and, in doing so, more judgment and estimates may be required within the revenue recognition process than were required under the former rules. The Company has reviewed its sources of revenue in accordance with each of the five steps in the model, which are as follows: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) performance obligations are satisfied. The core principle of ASC 606 is that revenue will be recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception,

once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are distinct performance obligations. The Company also determines whether it acts as an agent or a principal for each identified performance obligation. The determination of whether the Company acts as the principal or the agent is highly subjective and requires the Company to evaluate a number of indicators individually and as a whole in order to make its determination. For transactions in which the Company acts as a principal, revenue is reported on a gross basis as the amount paid by the marketer for the purchase of content or sponsorship, promotion and other related services and the Company records the amounts it pays to third-party creators as cost of revenue. For transactions in which the Company acts as an agent, revenue is reported on a net basis as the amount the Company charged to the self-service marketer using the Company's platform, less the amounts paid to the third-party creators providing the service.

The Company maintains separate arrangements with each marketer and content creator either in the form of a master agreement or terms of service, which specifies the terms of the relationship and access to its platforms, or by statement of work, which specifies the price and the services to be performed, along with other terms. The transaction price is determined based on the fixed fee stated in the statement of work and does not contain variable consideration. Marketers who use the Company to manage their

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

advertising campaigns or custom content requests may prepay for services or request credit terms. Payment terms are typically 30 days from the invoice date. The agreement typically provides for a cancellation fee if the agreement is canceled by the customer prior to completion of services. Billings in advance of completed services are recorded as a contract liability until earned. The Company assesses collectibility based on a number of factors, including the creditworthiness of the customer and payment and transaction history. The allocation of the transaction price to the performance obligations in the contract is based on a cost plus methodology.

For Managed Services, the Company enters into an agreement to provide services that may include multiple distinct performance obligations in the form of: (i) an integrated marketing campaign to provide sponsored social services, which may include the provision of blogs, tweets, photos or videos shared through social network offerings and content promotion, such as click-through advertisements appearing in websites and social media channels; and (ii) custom content items, such as a research or news article, informational material or videos. Marketers typically purchase sponsored social services for the purpose of providing public awareness or advertising buzz regarding the marketer's brand and they purchase custom content for internal and external needs. The Company may provide one type or a combination of all types of these performance obligations on a statement of work for a lump sum fee. The Company allocates revenue to each performance obligation in the contract at inception based on its relative standalone selling price. These performance obligations are to be provided over a stated period that may range from one day to one year. Revenue is accounted for when the performance obligation has been satisfied depending on the type of service provided. The Company views its obligation to deliver sponsored social services, including management services, as a single performance obligation that is satisfied over time as the customer receives the benefits from the services. Revenue is recognized using an input method of costs incurred compared to total expected costs to measure the progress towards satisfying the overall performance obligation of the marketing campaign. The delivery of custom content represents a distinct performance obligation that is satisfied over time as the Company has no alternative for the custom content and the Company has an enforceable right to payment for performance completed to date under the contracts. The Company considers custom content to be a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer, and revenue is recognized over time using an output method based on when each individual piece of content is delivered to the customer. Based on the Company's evaluations, revenue from Managed Services is reported on a gross basis, because the Company has the primary obligation to fulfill the performance obligations and it creates, reviews and controls the services. The Company takes on the risk of payment to any third-party creators and it establishes the contract price directly with its customers based on the services requested in the statement of work.

For Content Workflow services, the self-service customer instructs creators found through the Company's platforms to provide or distribute custom content for an agreed upon transaction fee. The Company's platforms control the contracting, description of services, acceptance of and payment for the requested content. This service is used primarily by news agencies or marketers to control the outsourcing of their content and advertising needs. The Company charges the self-service customer the transaction price plus a fee based on the contract. Revenue is recognized when the transaction is completed by the creator and accepted by the marketer. Based on the Company's evaluations, Content Workflow revenue is reported on a net basis because the Company is acting as an agent solely arranging for the third-party creator to provide the services directly to the self-service customer through the platform.

Service Fee Revenue is generated when fees are charged to customers primarily related to subscription fees for different levels of service within a platform, licensing fees for the use of the IZEAx or Ebyline platforms, inactivity fees and early cash-out fees. Fees for subscription or licensing services are recognized straight-line over the term of service, while other fees are recognized at a point in time when the account is deemed inactive or a cash-out below certain minimum thresholds is requested.

The Company does not typically engage in contracts that are longer than one year. Therefore, the Company does not capitalize costs to obtain its customer contracts as these amounts would be generally recognized over less than one year and are not material.

See Note 8 for further details on the Company's adoption and disclosures related to ASC 606.

Advertising Costs

Advertising costs are charged to expense as they are incurred, including payments to content creators to promote the Company. Advertising costs charged to operations for the six months ended June 30, 2018 and 2017 were approximately \$318,000 and \$169,000, respectively. Advertising costs charged to operations for the three months ended June 30, 2018 and 2017 were approximately \$216,000 and \$87,000, respectively. Advertising costs are included in sales and marketing expense in the accompanying consolidated statements of operations.

Deferred Rent

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The Company's operating leases for its office facilities contain rent abatements and predetermined fixed increases of the base rental rate during the lease terms. The Company accounts for rental expense on a straight-line basis over the lease terms. The Company records the difference between the straight-line expense and the actual amounts paid under the lease as deferred rent in the accompanying consolidated balance sheets.

Income Taxes

The Company has not recorded federal income tax expense due to the generation of net operating losses. Deferred income taxes are accounted for using the balance sheet approach, which requires recognition of deferred tax assets and liabilities for the expected future consequences of temporary differences between the financial reporting basis and the tax basis of assets and liabilities. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized. The Company incurs minimal state franchise tax in four states, which is included in general and administrative expense in the consolidated statements of operations.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's tax years subject to examination by the Internal Revenue Service are 2014, 2015 and 2016.

Derivative Financial Instruments

Derivative financial instruments are defined as financial instruments or other contracts that contain a notional amount and one or more underlying factors (e.g., interest rate, security price or other variable), require no initial net investment and permit net settlement. Derivative financial instruments may be free-standing or embedded in other financial instruments. Further, derivative financial instruments are initially, and subsequently, measured at fair value and recorded as liabilities or assets. The Company accounts for derivative instruments in accordance with ASC 815, Derivatives and Hedging ("ASC 815"), which requires additional disclosures about the Company's objectives and strategies for using derivative instruments, how the derivative instruments and related hedged items are accounted for, and how the derivative instruments and related hedging items affect the financial statements. The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risk. Terms of 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. The Company had 5,502 warrant shares issued in its September 2012 public offering that required classification as a liability due to certain registration rights and listing requirements in the agreements. These warrants expired in September 2017 with no value. The Company has also issued shares of restricted stock which vest over future periods. The value of these shares is required to be adjusted over the vesting period. See Note 6 for additional information related to these shares.

Fair Value of Financial Instruments

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

that may be used to measure fair value:

• Level 1 – Valuation based on quoted market prices in active markets for identical assets and liabilities.

• Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.

• Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The Company does not have any Level 1 or 2 financial assets or liabilities. The Company's Level 3 financial liabilities measured at fair value consisted of its acquisition cost liability (see Note 2) as of June 30, 2018 and 2017. Significant unobservable inputs used in the fair value measurement of the warrants include the estimated term and risk-adjusted interest rates. In developing its credit risk assumption used in the fair value of warrants, the Company considered publicly available bond rates and US Treasury

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Yields. However, since the Company does not have a formal credit-standing, management estimated its standing among various reported levels and grades for use in the model. During all periods, management estimated that the Company's standing was in the speculative to high-risk grades (BB- to CCC in the Standard and Poor's Rating). Significant increases or decreases in the estimated remaining period to exercise or the risk-adjusted interest rate could result in a significantly lower or higher fair value measurement.

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

Stock-Based Compensation

Stock-based compensation cost related to stock options granted under the 2011 Equity Incentive Plan and 2011 B Equity Incentive Plan (together, the "2011 Equity Incentive Plans") (see Note 6) is measured at the grant date, based on the fair value of the award, and is recognized as a straight-lined expense over the employee's requisite service period. The Company estimates the fair value of each option award on the date of grant using a Black-Scholes option-pricing model that uses the assumptions noted in the table below. The Company estimates the fair value of its common stock using the closing stock price of its common stock on the date of the grant. The Company estimates the volatility of its common stock at the date of grant based on the volatility of comparable peer companies that are publicly traded and have had a longer trading history than itself. The Company determines the expected life based on historical experience with similar awards, giving consideration to the contractual terms, vesting schedules and post-vesting forfeitures. The Company uses the risk-free interest rate on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term approximately equal to the expected life of the award. The Company has never paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future.

The Company used the following assumptions for options granted under the 2011 Equity Incentive Plans during the three and six months ended June 30, 2018 and 2017:

	Three Months		Six Months	
	Ended		Ended	
2011 Equity Incentive Plans Assumptions	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Expected term	6 years	6 years	6 years	6 years
Weighted average volatility	57.70%	43.71%	59.07%	43.78%
Weighted average risk free interest rate	2.83%	2.01%	2.67%	2.03%
Expected dividends	—	—	—	—

The Company estimates forfeitures when recognizing compensation expense and this estimate of forfeitures is adjusted over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment, which is recognized in the period of change, and a revised amount of unamortized compensation expense to be recognized in future periods. Weighted average expected forfeiture rates were 13.44% and 10.59% during the six months ended June 30, 2018 and 2017, respectively. Weighted average expected forfeiture rates were 9.70% and 10.09% during the three months ended June 30, 2018 and 2017, respectively.

Non-Employee Stock-Based Payments

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC 505, "Equity-Based Payments to Non-Employees." The measurement date for

the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. The fair value of equity instruments issued to consultants that vest immediately is expensed when issued. The fair value of equity instruments issued to consultants that have future vesting and are subject to forfeiture if performance does not occur is recognized as expense over the vesting period. Fair values for the unvested portion of issued instruments are adjusted each reporting period. The change in fair value is recorded in the accompanying consolidated statements of operations. Stock-based payments related to non-employees is accounted for based on the fair value of the related stock or the fair value of the services, whichever is more readily determinable.

Segment Information

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

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Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Since the issuance of the original standard, the FASB has issued a subsequent update, ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842, which provides a practical expedient for land easements. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact that this ASU will have on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (“ASU 2017-04”). To address concerns over the cost and complexity of the two-step goodwill impairment test, the new standard removes the requirement for the second step of the goodwill impairment test for certain entities. An entity may apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for testing dates after January 1, 2017. The Company is currently evaluating the impact that ASU 2017-04 will have on its consolidated financial statements.

NOTE 2. BUSINESS ACQUISITIONS

On July 31, 2016, the Company purchased all of the outstanding shares of capital stock of ZenContent pursuant to the terms of a Stock Purchase Agreement, by and among IZEA, ZenContent and the stockholders of ZenContent (the “ZenContent Stock Purchase Agreement”) for a maximum purchase price to be paid over the next three years of \$4,500,000. Upon closing the Company paid a cash payment of \$400,000 and issued 86,207 shares of the Company's common stock valued at \$600,000. The ZenContent Stock Purchase Agreement also requires (i) three equal annual installment payments totaling \$1,000,000, subject to a working capital adjustment, commencing 12 months following the closing and (ii) contingent performance payments of up to an aggregate of \$2,500,000 over the three 12-month periods following the closing, based upon ZenContent achieving certain minimum revenue thresholds. Of these payments, 33% of each such annual installment or contingent performance payment will be in the form of cash and the remainder of such payment will be in the form of either cash or additional shares of the Company's common stock (determined at the Company's option). Additionally, these payments were subject to a downward adjustment of up to 30% if Brianna DeMike, ZenContent's co-founder, was terminated by IZEA for cause or she terminated her employment without good reason.

The Company amended the ZenContent Stock Purchase Agreement on October 21, 2016, to clarify definitions surrounding contingent performance payments and to provide for a contingent cash commission of 1% on certain IZEA legacy clients for which the Company used ZenContent technology to produce content for its Managed Services in the future. The Company entered into a second amendment to the ZenContent Stock Purchase Agreement on July

17, 2018 to further amend the terms of the contingent performance payments. The parties agreed to pay approximately \$9,818 related to the historical 1% commission on IZEA legacy client calculations and to fix the amount payable for any further contingent performance payments at \$90,000 due as \$45,000 in cash on November 1, 2018 and as \$45,000 in cash or stock, at the Company's option on November 1, 2019. In return for the fixed valuation of the contingent performance payments, the Company waived its rights to reduce the future guaranteed annual and contingent performance payments in the event that Ms. DeMike terminated her employment, after which Ms. DeMike terminated her employment with the Company on July 20, 2018.

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Purchase Price and Acquisition Costs Payable

	Estimated Gross Purchase Consideration 7/31/2016	Initial Present and Fair Value 7/31/2016	Remaining Present and Fair Value 12/31/2017	Remaining Present and Fair Value 6/30/2018
Cash paid at closing (a)	\$ 400,000	\$400,000	\$—	\$—
Stock paid at closing (a)	600,000	600,000	—	—
Guaranteed purchase price (b)	933,565	566,547	606,413	641,024
Contingent performance payments (c)	2,500,000	230,000	744,510	96,998
Total estimated consideration	\$ 4,433,565	\$ 1,796,547	\$ 1,350,923	\$ 738,022
Current portion of acquisition costs payable			\$741,155	\$ 386,872
Long-term portion of acquisition costs payable			609,768	351,150
Total acquisition costs payable			\$ 1,350,923	\$ 738,022

(a) The aggregate consideration paid at closing for the acquisition of ZenContent consisted of a cash payment of \$400,000 and the issuance of 86,207 shares of IZEA common stock valued at \$600,000.

Aggregate future consideration consists of (i) three equal annual installment payments totaling \$1,000,000, commencing 12 months following the closing, less a reduction of \$66,435 due to a customary closing date working capital adjustment (“guaranteed purchase price”), and (ii) contingent performance payments up to an aggregate of \$2,500,000 over the three 12-month periods following the closing. These payments were subject to a downward adjustment up to 30% if Brianna DeMike, ZenContent’s co-founder, was terminated by IZEA for cause or if she terminated her employment without good reason. As a result, the Company initially reduced its acquisition cost liability by \$300,000 to be accrued as compensation expense over the three-year term rather than allocated to the initial purchase price in accordance with ASC 805-10-55-25. Compensation expense added to the guaranteed acquisition costs payable and recorded as general and administrative expense in the Company’s consolidated statement of operations was \$22,916 and \$122,917 for the six months ended June 30, 2018 and 2017, respectively. Compensation expense added to the guaranteed acquisition costs payable and recorded as general and administrative expense in the Company’s consolidated statement of operations was \$11,458 and \$61,459 for the three months ended June 30, 2018 and 2017, respectively. The initial guaranteed purchase price consideration was discounted to present value using the Company’s borrowing rate of prime plus 2% (5.5% on July 31, 2016). Interest expense imputed on the guaranteed acquisition costs payable in the accompanying consolidated statement of operations was \$11,695 and \$16,044 for the six months ended June 30, 2018 and 2017. Interest expense imputed on the guaranteed acquisition costs payable in the accompanying consolidated statement of operations was \$5,848 and \$8,022 for the three months ended June 30, 2018 and 2017. On July 31, 2017, the Company paid \$266,898 in cash for the first annual installment of \$333,333 less \$66,435 in working capital adjustments.

(c) The contingent performance payments were subject to ZenContent achieving certain minimum revenue thresholds over 36 months. ZenContent was required to meet minimum revenues of \$2.5 million, \$3.5 million and \$4.5 million in the first, second and third, respective 12-month periods following the closing in order to receive any portion of the contingent performance payments. Of these payments, 33% of each such annual installment or contingent performance payment was to be in the form of cash and the remainder of such payment was to be in the form of either cash or additional shares of IZEA common stock, at the Company’s option. The value of the Company’s common stock would be valued using a thirty (30) trading day volume-weighted average closing price as reported by the NASDAQ Capital Market. These contingent performance payments were subject to downward adjustment of up to 30% if Brianna DeMike was terminated by IZEA for cause or she terminated her employment

without good reason. On July 31, 2016, the Company initially determined the fair value of the \$2,500,000 contingent payments to be \$230,000. The fair value of the contingent performance payments is required to be revalued each quarter and is calculated using a Monte-Carlo simulation to simulate revenue over the future periods. Since the contingent consideration has an option like structure, a risk-neutral framework is considered appropriate for the valuation. The Company started with a risk-adjusted measure of forecasted revenue (using a risk-adjusted discount rate of 17%) and assumed it will follow geometric Brownian motion to simulate the revenue at future dates. Once the initial revenue was estimated based off of projections, payout was calculated for each year and present valued to incorporate the credit risk associated with these payments. The Company's fair value conclusion was based on the average

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payment from 250,000 simulation trials. The volatility used for the simulation was 45%. The interest rate used for the simulation was the Company's current borrowing rate of prime plus 2% at the time of valuation. Pursuant to the second amendment to the ZenContent Stock Purchase Agreement, the Company revalued its estimate of the contingent performance payment as of June 30, 2018 to be \$99,818 and determined that current fair value of the contingent performance payments was \$96,998 compared to \$744,510 as of December 31, 2017. The change in the estimated fair value of contingent performance payable resulted in a \$647,512 decrease in general and administrative expense in the Company's consolidated statement of operations during the six months ended June 30, 2018. Of this amount, \$161,765 was allocated to compensation expense and \$485,747 was allocated as a change in the fair value of the contingent performance payments. The Company revalued its estimate of the contingent performance payment as of June 30, 2017 based on actual results and projections at the time and determined that current fair value of the contingent performance payments was \$342,861 compared to \$324,000 as of December 31, 2016. The change in the estimated fair value of contingent performance payable resulted in a \$18,861 increase in general and administrative expense in the Company's consolidated statement of operations during the six months ended June 30, 2017. Of this amount, \$74,861 was allocated to compensation expense and a gain of \$56,000 was allocated as a change in the fair value of the contingent performance payments.

NOTE 3. INTANGIBLE ASSETS

The identifiable intangible assets consists of the following assets:

	Balance	Accumulated	Balance	Accumulated	Useful Life (in years)
	June 30, 2018	Amortization	December 31, 2017	Amortization	
Content provider networks	\$160,000	\$154,583	\$160,000	\$122,083	1
Trade names	52,000	52,000	52,000	52,000	1
Developed technology	530,000	293,167	530,000	240,167	3
Self-service content customers	210,000	210,000	210,000	204,167	5
Managed content customers	2,140,000	2,013,611	2,140,000	1,905,555	3
Domains	166,469	83,235	166,469	66,588	5
Total identifiable intangible assets	\$3,258,469	\$2,806,596	\$3,258,469	\$2,590,560	

Total identifiable intangible assets from the purchase price allocations from the Company's acquisitions and other acquired assets net of accumulated amortization thereon consists of the following:

	June 30, 2018	December 31, 2017
Ebyline Intangible Assets	\$2,370,000	\$2,370,000
ZenContent Intangible Assets	722,000	722,000
Domains	166,469	166,469
Total Intangible Assets	3,258,469	3,258,469
Accumulated amortization	(2,806,596)	(2,590,560)
Intangible Assets, net	\$451,873	\$667,909

The Company is amortizing the identifiable intangible assets over a weighted average period of three years. Amortization expense recorded in depreciation and amortization expense in the accompanying consolidated statements of operations was \$216,036 and \$499,813 for the six months ended June 30, 2018 and 2017, respectively. Amortization expense recorded in depreciation and amortization expense in the accompanying consolidated statements of operations was \$80,241 and \$249,907 for the three months ended June 30, 2018 and 2017, respectively. The portion of this amortization expense specifically related to the costs of acquired technology for its platforms that is presented separately from cost of services was \$53,000 for the six months ended June 30, 2018 and 2017. The

portion of this amortization expense specifically related to the costs of acquired technology for its platforms that is presented separately from cost of services was \$26,500 for the three months ended June 30, 2018 and 2017.

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As of June 30, 2018, future estimated amortization expense related to identifiable intangible assets over the next five years is set forth in the following schedule:

Year ending December 31:	Amortization Expense
2018 (six months remaining)	\$ 133,397
2019	207,349
2020	84,293
2021	26,834
Total	\$ 451,873

NOTE 4. SOFTWARE DEVELOPMENT COSTS

Software development costs consists of the following:

	June 30, 2018	December 31, 2017
Software development costs	\$ 1,819,005	\$ 1,561,351
Less accumulated depreciation and amortization	(740,668)	(593,424)
Software development costs, net	\$ 1,078,337	\$ 967,927

The Company developed its web-based advertising and content exchange platform, IZEAx, to enable native advertising campaigns on a greater scale. The Company continues to add new features and additional functionality to IZEAx to facilitate the contracting, workflow, and delivery of direct content as well as provide for invoicing, collaborating, and direct payments for the Company's self-service customers. Research and planning phase costs are expensed as incurred. Costs incurred in the application and infrastructure development stage, including significant enhancements and upgrades, are capitalized. These costs include personnel and related employee benefits expenses for employees or consultants who are directly associated with and who devote time to software projects, and external direct costs of materials obtained in developing the software. We incurred and capitalized software development costs of \$257,654 and \$85,460 during the six months ended June 30, 2018 and 2017, respectively. As a result, the Company has capitalized a total of \$1,819,005 in direct materials, consulting, payroll and benefit costs to its internal use software development costs in the consolidated balance sheet as of June 30, 2018. The Company amortizes its software development costs, upon initial release of the software or additional features, on a straight-line basis over the estimated the useful life of five years, which is consistent with the amount of time its legacy platforms were in service.

Amortization expense on software development costs that is presented separately from cost of services and recorded in depreciation and amortization expense in the accompanying consolidated statements of operations was \$147,244 and \$107,624 for the six months ended June 30, 2018 and 2017, respectively. Amortization expense on software development costs that is presented separately from cost of services and recorded in depreciation and amortization expense in the accompanying consolidated statements of operations was \$73,622 and \$53,812 for the three months ended June 30, 2018 and 2017, respectively.

As of June 30, 2018, future estimated amortization expense related to software development costs over the next five years is set forth in the following schedule:

Year ending December 31:	Software Amortization Expense
2018 (six months remaining)	\$ 147,243
2019	278,469
2020	245,142

2021	203,747
2022	134,421
Thereafter	69,315
	\$ 1,078,337

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NOTE 5. COMMITMENTS & CONTINGENCIES

Credit Agreement

The Company has a secured credit facility agreement with Western Alliance Bank, the parent company of Bridge Bank, N.A. of San Jose, California, which it obtained on March 1, 2013 and expanded on April 13, 2015. Pursuant to this agreement, the Company may submit requests for funding up to 80% of its eligible accounts receivable up to a maximum credit limit of \$5 million. This agreement is secured by the Company's accounts receivable and substantially all of the Company's other assets. The agreement renews annually and requires the Company to pay an annual facility fee of \$20,000 (0.4% of the credit limit) and an annual due diligence fee of \$1,000. Interest accrues on the advances at the rate of prime plus 2% per annum. The default rate of interest is prime plus 7%. The Company had \$845,365 and \$500,550 outstanding under this line of credit agreement as of June 30, 2018 and December 31, 2017, respectively. As of June 30, 2018, the Company had a net accounts receivable balance of \$2,821,401. Assuming that all of the Company's accounts receivable balance was eligible for funding, it had \$1,580,829 in remaining available credit under the agreement as of June 30, 2018.

The annual fees are capitalized in the Company's consolidated balance sheet within other current assets and are amortized to interest expense over one year. The Company amortized \$10,500 of the annual costs through interest expense during the six months ended June 30, 2018 and 2017, respectively. The Company amortized \$5,250 of the annual costs through interest expense during the three months ended June 30, 2018 and 2017, respectively. The remaining value of the capitalized loan costs related to this agreement as of June 30, 2018 is \$17,500. This amount will be amortized to interest expense over the next ten months.

Litigation

On April 4, 2018, a securities lawsuit, Julian Perez v. IZEA, Inc., et al., case number 2:18-cv-02784-SVW-GJS was instituted in the U.S. District Court for the Central District of California against the Company and certain of its executive officers on behalf of certain purchasers of the Company's common stock. The plaintiffs seek to recover damages for investors under federal securities laws. The Company believes that the plaintiffs' allegations are without merit and intends to vigorously defend against the claims. The Company is still in the early stages of this litigation and is unable to estimate a reasonable range of loss, if any, that may result from this matter.

On July 3, 2018, a shareholder derivative lawsuit, Korene Stuart v. Edward H. Murphy et al., case number A-18-777135-C was instituted in the Eighth Judicial District Court of the State of Nevada, Clark County against certain executive officers and members of the Board of Directors for IZEA, Inc. IZEA, Inc. has been named as a nominal defendant. The plaintiff seeks to recover damages on behalf of the company for purported breaches of the individual defendants' fiduciary duties as directors and/or officers of IZEA, Inc., unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets in violation of state common law. The individual defendants and the Company believe that the plaintiff's allegations are without merit and intend to vigorously defend against the claims.

From time to time, the Company may become involved in various lawsuits and legal proceedings that arise in the ordinary course of the Company's business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business. The Company is currently not aware of any other legal proceedings or claims that it believes would or could have, individually or in the aggregate, a material adverse effect on its operations or financial position.

NOTE 6. STOCKHOLDERS' EQUITY

Authorized Shares

The Company has 200,000,000 authorized shares of common stock and 10,000,000 authorized shares of preferred stock, each with a par value of \$0.0001 per share.

Stock Issued for Acquisitions

On January 30, 2017, the Company issued 200,542 shares of its common stock to satisfy the final annual guaranteed purchase price payment of \$938,532 per the terms of a Stock Purchase Agreement dated as of January 27, 2015, by and among IZEA, Ebyline and the stockholders of Ebyline (the "Ebyline Stock Purchase Agreement"). The Company recorded a \$10,491 gain on the settlement of the acquisition costs payable for the six months ended June 30, 2017 in the accompanying consolidated statements of operations as a result of the difference between the market price of the stock on the settlement date and the 30-day average price of the stock required by the Ebyline Stock Purchase Agreement. The guaranteed purchase price consideration was originally recorded on the Company's balance sheet discounted to present value using the Company's borrowing rate of prime plus 2%. Interest expense imputed on the remaining acquisition costs payable was \$3,804 in the accompanying consolidated statements of operations for the six months ended June 30, 2017 prior to the final guaranteed payment made on January 30, 2017.

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Stock Issued for Services

During the twelve months ended December 31, 2017, the Company issued its five independent directors a total of 41,770 shares of restricted common stock initially valued at \$125,000 for their annual service as directors of the Company. The stock vested in equal monthly installments for the period issued between January and December 2017. On February 12, 2017, the Company issued 7,109 shares valued at \$30,000 as compensation for services a contractor provided.

The Company issued 2,812 shares and 7,543 shares of restricted stock on August 14, 2017 and November 9, 2017, respectively, to Mr. Edward Murphy, its Chief Executive Officer, for amounts owed on his second and third quarter performance bonus. The stock was initially valued at \$36,411 and vests in equal monthly installments over 48 months from issuance. The Company issued 662 shares and 1,257 shares of restricted stock on August 14, 2017 and November 9, 2017, respectively, to Mr. Ryan Schram, its Chief Operating Officer, for amounts owed on his second and third quarter performance bonus. The stock was initially valued at \$6,446 and vests in equal monthly installments over 48 months from issuance.

During the six months ended June 30, 2018, the Company issued its five independent directors a total of 30,265 shares of restricted common stock initially valued at \$125,000 for their annual service as directors of the Company. The stock vests in equal monthly installments from January through December 2018.

On January 11, 2018, the Company issued seventeen employees a total of 55,000 shares of restricted common stock initially valued at \$303,600 as incentive compensation for their continued future service. Of these 55,000 shares, 10,000 shares were issued to Ms. LeAnn Hitchcock, the Company's Chief Financial Officer, and 5,000 shares were issued to Mr. Schram. The stock vests over two years in equal quarterly installments from January 2018 through December 2019.

The Company issued 21,628 shares and 3,870 shares of restricted stock on May 3, 2018 to Mr. Murphy and Mr. Schram, respectively, related to amounts owed for their first quarter performance bonus. The stock was valued at \$46,715 and \$8,360, respectively, and vests in equal monthly installments over 48 months from issuance. On May 25, 2018, the Company issued 5,000 shares of restricted common stock valued at \$7,650 to an employee as incentive compensation for future services vesting in two equal annual installments in May 2019 and 2020.

The following table contains summarized information about nonvested restricted stock outstanding during the year ended December 31, 2017 and the six months ended June 30, 2018:

Restricted Stock	Common Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested at December 31, 2016	—	\$ —	
Granted	61,153	3.24	
Vested	(49,354)	3.72	
Forfeited	—	—	
Nonvested at December 31, 2017	11,799	\$ 4.52	3.75
Granted	115,763	4.24	
Vested	(31,475)	4.64	
Forfeited	—	—	
Nonvested at June 30, 2018	96,087	\$ 4.03	2.2

Total expense recognized on restricted stock issued for services to non-employees during the six months ended June 30, 2018 and 2017 was \$62,490 and \$83,462, respectively. Total expense recognized on restricted stock issued for services to non-employees during the three months ended June 30, 2018 and 2017 was \$33,819 and \$22,830, respectively. Total stock-based compensation expense recognized on restricted stock issued to employees during the three and six months ended June 30, 2018 was \$55,797 and \$83,866, respectively. There was no stock-based compensation expense recognized on restricted stock issued to employees during the three and six months ended June 30, 2017. The fair value of the services to non-employees is based on the value of the Company's common stock as it vests over the term of service, which may be different that the value of the stock upon issuance. The change between the Company's stock price upon issuance and the Company's stock price upon the date of vesting, results in a change in the fair value of derivatives during the period. The Company recognized a loss of \$11,794 and \$9,038 as a change in the fair value of derivatives during the six months ended June 30, 2018 and 2017, respectively. Future compensation related to issued, but

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

nonvested restricted stock awards as of June 30, 2018 is \$386,506, and it is included in prepaid expenses in the accompanying consolidated balance sheets. This value is estimated to be recognized over the weighted-average vesting period of approximately 2.2 years.

Employee Stock Purchase Plan

On April 16, 2014, stockholders holding a majority of the Company's outstanding shares of common stock, upon previous recommendation and approval of the Board, adopted the IZEA, Inc. 2014 Employee Stock Purchase Plan (the "ESPP") and reserved 75,000 shares of the Company's common stock for issuance thereunder. Any employee regularly employed by the Company for 90 days or more on a full-time or part-time basis (20 hours or more per week on a regular schedule) is eligible to participate in the ESPP. The ESPP operates in successive six months offering periods commencing at the beginning of each fiscal year half. Each eligible employee who elects to participate may purchase up to 10% of their annual compensation in common stock not to exceed \$21,250 annually or 1,000 shares per offering period. The purchase price will be the lower of (i) 85% of the fair market value of a share of common stock on the first trading day of the offering period or (ii) 85% of the fair market value of a share of common stock on the last trading day of the offering period. The ESPP will continue until January 1, 2024, unless otherwise terminated by the Board. As of June 30, 2018, the Company had 22,405 remaining shares of common stock available for future grants under the ESPP. Employees paid \$9,035 to purchase 11,189 shares of common stock during the six months ended June 30, 2018.

Stock Options

In May 2011, the Company's Board of Directors (the "Board") adopted the 2011 Equity Incentive Plan of IZEA, Inc. (the "May 2011 Plan"). At the Company's 2017 Annual Meeting of Stockholders held on June 21, 2017, the stockholders approved the amendment and restatement of the May 2011 Plan which increased the number of shares of common stock available for issuance under the May 2011 Plan by 500,000 shares. The amended May 2011 Plan allows the Company to grant options to purchase up to 1,500,000 shares as an incentive for its employees and consultants. As of June 30, 2018, the Company had 295,620 shares of common stock available for future grants under the May 2011 Plan.

On August 22, 2011, the Company adopted the 2011 B Equity Incentive Plan (the "August 2011 Plan") reserving 4,375 shares of common stock for issuance under the August 2011 Plan. As of June 30, 2018, the Company had 1,875 shares of common stock available for future grants under the August 2011 Plan.

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

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

A summary of option activity under the 2011 Equity Incentive Plans for the year ended December 31, 2017 and the six months ended June 30, 2018 is presented below:

Options Outstanding	Common Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2016	959,864	\$ 8.11	6.4
Granted	141,246	3.49	
Exercised	—	—	
Forfeited	(51,607)	38.86	
Outstanding at December 31, 2017	1,049,503	\$ 5.97	6.0
Granted	33,589	2.75	
Exercised	—	—	
Forfeited	(62,449)	5.64	
Outstanding at June 30, 2018	1,020,643	\$ 5.89	5.6
Exercisable at June 30, 2018	766,828	\$ 6.24	4.7

During the three and six months ended June 30, 2018 and 2017 no options were exercised. The fair value of the Company's common stock on June 30, 2018 was \$0.95 per share. The intrinsic value on outstanding options as of June 30, 2018 was \$0. The intrinsic value on exercisable options as of June 30, 2018 was \$0.

A summary of the nonvested stock option activity under the 2011 Equity Incentive Plans for the year ended December 31, 2017 and the six months ended June 30, 2018 is presented below:

Nonvested Options	Common Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested at December 31, 2016	414,306	\$ 3.60	2.6
Granted	141,246	1.76	
Vested	(205,469)	3.36	
Forfeited	(27,006)	3.12	
Nonvested at December 31, 2017	323,077	\$ 2.64	2.7
Granted	33,589	1.52	
Vested	(75,443)	2.96	
Forfeited	(27,408)	2.80	
Nonvested at June 30, 2018	253,815	\$ 2.40	2.6

Stock-based compensation cost related to stock options granted under the 2011 Equity Incentive Plans is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. The Company estimates the fair value of each option award on the date of grant using a Black-Scholes option-pricing model that uses the assumptions stated in Note 1. Total stock-based compensation expense recognized on stock option issuances, including the restricted stock issuance expense disclosed above, during the six months ended June 30, 2018 and 2017 was \$349,632 and \$326,846, respectively. Stock-based compensation expense was recorded as \$10,724 to cost of revenue, \$45,299 to sales and marketing, and \$293,609 to general and administrative expense in the Company's consolidated statement of operations during the six months ended June 30, 2018.

Stock-based compensation expense was recorded as \$30,494 to sales and marketing, and \$296,352 to general and administrative expense in the Company's consolidated statement of operations during the six months ended June 30, 2017. Total stock-based compensation expense recognized on stock option issuances, including the restricted stock issuance expense disclosed above, during the three months ended June 30, 2018 and 2017 was \$203,351 and \$167,870, respectively. Stock-based compensation expense was recorded as \$7,018 to cost of revenue, \$29,001 to sales and marketing, and \$167,332 to general and administrative expense in the Company's consolidated statement of operations during the three months ended June 30, 2018. Stock-based compensation expense was recorded as \$16,466 to sales and marketing, and \$151,404 to general and administrative expense in the Company's consolidated statement of operations during the three months ended June 30, 2017. Future compensation related

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

to nonvested awards as of June 30, 2018 expected to vest of \$521,484 is estimated to be recognized over the weighted-average vesting period of approximately 2.6 years.

NOTE 7. LOSS PER COMMON SHARE

Basic loss per common share is computed by dividing the net income or loss by the basic weighted-average number of shares of common stock outstanding during each period presented. Diluted loss per common share is computed by dividing the net income or loss by the total of the basic weighted-average number of shares of common stock outstanding plus the additional dilutive securities that could be exercised or converted into common shares during each period presented less the amount of shares that could be repurchased using the proceeds from the exercises.

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net loss	\$(1,647,755)	\$(1,446,598)	\$(3,692,875)	\$(4,165,818)
Weighted average shares outstanding - basic and diluted	5,837,476	5,676,629	5,819,883	5,637,636
Basic and diluted loss per common share	\$(0.28)	\$(0.25)	\$(0.63)	\$(0.74)

The Company excluded the following weighted average items from the above computation of diluted loss per common share, as their effect would be anti-dilutive:

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Stock options	1,029,336	981,596	1,037,257	972,780
Warrants	514,012	533,959	514,976	545,625
Total excluded shares	1,543,348	1,515,555	1,552,233	1,518,405

NOTE 8. REVENUE

Except for the changes below, the Company has consistently applied its accounting policies to all periods presented in the consolidated financial statements. On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method, under which comparative periods will not be restated and the cumulative effect of applying the standard will be recognized at the date of initial adoption on January 1, 2018. As a result, the opening balance of retained earnings as of January 1, 2018 decreased by \$98,822 and the comparative information in prior year periods continues to be reported under ASC 605.

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

Initial Adoption Change

The effects to the condensed consolidated balance sheet as of December 31, 2017, as adjusted for the adoption of ASC 606 on January 1, 2018, are as follows:

	As Reported 12/31/17	Adjustments	As Adjusted 1/1/2018
Assets			
Current:			
Cash and cash equivalents	\$3,906,797		\$3,906,797
Accounts receivable, net	3,647,025	92,405	3,739,430
Prepaid expenses	389,104		389,104
Other current assets	9,140		9,140
Total current assets	7,952,066	92,405	8,044,471
Property and equipment, net	286,043		286,043
Goodwill	3,604,720		3,604,720
Intangible assets, net	667,909		667,909
Software development costs, net	967,927		967,927
Security deposits	148,638		148,638
Total assets	\$13,627,303	\$ 92,405	\$13,719,708
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$1,756,841		\$1,756,841
Accrued expenses	1,592,356		1,592,356
Unearned revenue	3,070,502	191,227	3,261,729
Line of credit	500,550		500,550
Current portion of deferred rent	45,127		45,127
Current portion of acquisition costs payable	741,155		741,155
Total current liabilities	7,706,531	191,227	7,897,758
Deferred rent, less current portion	17,419		17,419
Acquisition costs payable, less current portion	609,768		609,768
Total liabilities	8,333,718	191,227	8,524,945
Stockholders' equity:			
Common stock, \$.0001 par value; 200,000,000 shares authorized; 5,733,981 issued and outstanding	573		573
Additional paid-in capital	52,570,432		52,570,432
Accumulated deficit	(47,277,420)	(98,822)	(47,376,242)
Total stockholders' equity	5,293,585	(98,822)	5,194,763
Total liabilities and stockholders' equity	\$13,627,303	\$ 92,405	\$13,719,708

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

Dual Reporting

The effects to the condensed consolidated financial statements as of June 30, 2018, as a result of applying ASC 606, rather than previous GAAP for revenue ("ASC 605") are as follows:

	As Reported (ASC 606)	Adjustments	Previous GAAP (ASC 605)
Balance Sheet:			
Accounts receivable, net	\$2,821,401	\$ 39,860	\$2,861,261
Contract liabilities	4,434,627	(4,434,627)	—
Unearned revenue	—	4,362,719	4,362,719
Accumulated deficit	(51,069,117)	111,768	(50,957,349)

Income Statement:

Revenue:

Three months ended June 30, 2018	\$4,120,960	(185,202)	3,935,758
Six months ended June 30, 2018	\$8,017,401	12,946	8,030,347

The changes reflected above were primarily due to the Company's delivery of its managed services related to sponsored social services. Under ASC 605, these were recognized as separate elements at a point in time as services were delivered to the customer and under ASC 606, these are recognized as a single performance obligation over time based on an input model utilizing cost-to-cost methodology.

Disaggregation of Revenue

The following table illustrates our revenue by product service type:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Managed Services	\$4,004,850	\$7,801,515
Content Workflow, net	62,761	126,309
Service Fees & Other	53,349	89,577
Total Revenue from Customers	\$4,120,960	\$8,017,401

Contract Balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	June 30, 2018	January 1, 2018
Accounts receivable, net	2,821,401	3,739,430
Contract liabilities (unearned revenue)	4,434,627	3,261,729

Contract receivables are recognized when the receipt of consideration is unconditional. The decrease in contract receivables was primarily due to timing of billings and lower revenue during the period. The Company did not recognize any contract assets as of June 30, 2018 or January 1, 2018. Contract liabilities relate to advance consideration received from customers under the terms of our contracts, which will be earned in future periods. The increase in contract liabilities is due to additional orders received during the quarter that are billed in advance and

fulfilled throughout the year.

During the three and six months ended June 30, 2018, the Company recognized revenue of \$289,581 and \$2,012,852, respectively relating to amounts that were included as a contract liability at January 1, 2018.

As a practical expedient, the Company expenses the costs of sales commissions that are paid to its sales force associated with obtaining contracts less than one year in length in the period incurred.

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Notes to the Unaudited Consolidated Financial Statements

Remaining Performance Obligations

The Company typically enters into contracts that are one year or less in length. As such, the remaining performance obligations at June 30, 2018 are equal to the contract liabilities disclosed above. The Company expects to recognize the full balance of the unearned revenue at June 30, 2018 within the next year.

NOTE 9. SUBSEQUENT EVENTS

Underwritten Public Offering of Common Stock

On July 2, 2018, the Company completed an underwritten public offering for the sale of 3,556,000 shares of the Company's common stock at a public offering price of \$1.00 per share. The net proceeds for all shares sold by us in the public offering were approximately \$3.1 million after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. Mr. Edward Murphy, the Company's Chief Executive Officer, Mr. Brian Brady, a Company director, and Mr. Lindsay Gardner, a Company director participated in the public offering and purchased 100,000, 500,000 and 20,000 shares of stock, respectively. The Company intends to use the net proceeds from the offering to finance the costs of acquiring competitive and complementary companies, technologies and assets as part of its growth strategy, and for working capital and general corporate purposes. The offering was made pursuant to a shelf registration statement on Form S-3 (File No. 333-212247) filed with the U.S. Securities and Exchange Commission (the "SEC") on June 24, 2016, which became effective on June 30, 2016.

Acquisition of TapInfluence, Inc.

On July 26, 2018, the Company completed its merger with TapInfluence, pursuant to the terms of the Agreement and Plan of Merger, dated as of July 11, 2018 (the "Merger Agreement"), by and among IZEA, IZEA Merger Sub, Inc., TapInfluence, certain stockholders of TapInfluence and the stockholders' representative, as amended by Amendment No. 1 thereto, dated as of July 20, 2018. At closing, the Company paid to TapInfluence stockholders the sum of \$1,500,000 less an estimated closing working capital adjustment of negative \$181,633 in cash, and issued 1,150,000 shares of the Company's common stock valued at \$1,759,500 based on the \$1.53 closing market price of the Company's common stock on July 26, 2018. The Company has agreed to pay TapInfluence stockholders an additional \$4,500,000 in the form of cash, common stock or a combination thereof, at IZEA's option, in two installments - \$1,000,000 six months after the closing date of the merger and \$3,500,000 twelve months after the closing date of the merger. Stock issuances, if any, will be determined based on the 30 trading day volume-weighted average price per share of the Company's common stock prior to the payment date. Future cash payments and stock issuances may be withheld from the six month or twelve month payment for post closing working capital adjustments and to satisfy indemnifiable claims made by the Company with respect to any misrepresentations or breaches of warranty under the Merger Agreement by TapInfluence or the stockholders of TapInfluence within 12 months after the closing date of the merger.

Payments under ZenContent Stock Purchase Agreement

On July 30, 2018, the Company paid \$333,333 for the second annual installment due under the ZenContent Stock Purchase Agreement. Of this amount \$111,111 was paid in cash and \$222,222 was paid using 98,765 shares of the Company's common stock valued at \$2.25 per share using a thirty (30) trading day volume-weighted average closing price as reported by the Nasdaq Capital Market prior to the issuance date. Additionally, the Company paid approximately \$9,818 in cash due for contingent performance payments. See Note 2 for additional details.

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ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary 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. This Quarterly Report on Form 10-Q (this "Quarterly Report") contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the "safe harbor" created by those sections. The statements, which are not historical facts contained in this report, including the 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," "would," "could," "should," "expects," "anticipates," "estimates," "believes," "intends," or "plans" or comparable terms, are forward-looking statements. Such statements are based on currently available operating, financial and competitive information, and are subject to inherent risks, uncertainties and changes in circumstances that are difficult to predict and many of which are outside of our control. Future events and our actual results and financial condition may differ materially from those reflected in these forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that might cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, but are not limited to, the following:

- our ability to raise additional funding;
- customer cancellations;
- our ability to maintain and grow our business;
- the successful integration of acquired companies, technologies and assets into our portfolio of software and services and into our current operations;
- our ability to pay for our acquisition liabilities in cash or to issue common stock as payment;
- variability of operating results;
- the timing and outcome of pending or potential claims and litigation, including without limitation, the pending shareholder derivative lawsuits;
- our ability to establish effective disclosure controls and procedures and internal control over financial reporting;
- our ability to satisfy the requirements for continued listing of our common stock on the Nasdaq Capital Market;
- our ability to maintain and enhance our brand;
- our development and introduction 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 customers;
- 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 the other risks and uncertainties described in the Risk Factors and in Management’s Discussion and Analysis of Financial Condition and Results of Operations sections of this Quarterly Report and our Annual Report on Form 10-K for the year ended December 31, 2017.

All forward-looking statements in this document are based on our current expectations, intentions and beliefs using information currently available to us as of the date of this Quarterly Report, and we assume no obligation to update

any forward-looking statements, except as required by law. 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.

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Company Overview

IZEA creates and operates online marketplaces that connect marketers with content creators. Our technology brings the marketers and creators together, enabling their transactions to be completed at scale through the management of custom content workflow, creator search and targeting, bidding, analytics and payment processing.

We help power the creator economy, allowing everyone from college students and stay-at-home individuals to celebrities and accredited journalists the opportunity to monetize their content, creativity and influence through our marketers. These creators are compensated by IZEA for producing unique content such as long and short form text, videos, photos, status updates, and illustrations for marketers or distributing such content on behalf of marketers through their personal websites, blogs, and social media channels.

Marketers, including brands, agencies, and publishers, engage us to gain access to our industry expertise, technology, analytics, and network of creators. The majority of the marketers engage us to perform these services on their behalf, but they also have the ability to use our marketplaces on a self-service basis. Our technology is used for two primary purposes: the engagement of creators for influencer marketing campaigns (also known as “Influencer Marketing” or “Sponsored Social”), or the engagement of creators to create stand-alone custom content for the marketers' own use and distribution (“Custom Content”). Marketers receive influential consumer content and engaging, shareable stories that drive awareness.

Our primary technology platform, The IZEA Exchange (“IZEAx”), enables transactions to be completed at scale through the management of custom content workflow, creator search and targeting, bidding, analytics, and payment processing. IZEAx is designed to provide a unified ecosystem that enables the creation and publication of multiple types of custom content through a creator's personal websites, blogs, or social media channels including Twitter, Facebook, Instagram, and YouTube, among others. In addition to IZEAx, we operate the Ebyline technology platform, which we acquired in January 2015 and the ZenContent platform, which we acquired in July 2016. The Ebyline platform was originally designed as a self-service content marketplace to replace editorial newsrooms located in the news agencies with a “virtual newsroom” of creators to produce their content needs. The ZenContent platform is an in-house workflow tool that enables us to produce highly scalable, multi-part production of content for both e-commerce entities, as well as brand customers.

Key Components of Results of Operations

We measure our business using our consolidated operating results considered as one segment. We review our results of operations based on the following categories:

Revenue

We derive our revenue from providing content services or managing advertising campaigns for our customers, as well as from making our platforms available to allow customers the ability to purchase content directly from our creators. We categorize our revenue by three primary revenue streams: revenue from our managed services when a marketer (typically a brand, agency or partner) pays us to provide custom content, influencer marketing or amplification services (“Managed Services”), revenue from transactions generated by the self-service use of our platforms by marketers and partners to handle their content workflow from initial request of a content, sponsorship or amplification service to actual review, approval, tracking and receipt of the content or distribution (“Content Workflow”), and revenue derived from various service and license fees charged to users of our platforms (“Service Fee Revenue”). As discussed in more detail within “Critical Accounting Policies and Use of Estimates” in this section and in “Note 1. Company and Summary of Significant Accounting Policies,” under Item 1 of this Quarterly Report, revenue from our Managed Services and Service Fee & Other Revenue are reported on a gross basis and revenue from Content Workflow is

reported on a net basis.

Cost of Revenue

Our cost of revenue consists primarily of direct costs paid to our third-party creators who provide the custom content, influencer marketing or amplification services for our Managed Service customers where we report revenue on a gross basis. Personnel costs included in cost of services include salaries, bonuses, commissions, stock-based compensation, employee benefit costs, and miscellaneous departmental costs related to the personnel who are primarily responsible for providing support to our customers and ultimately fulfillment of our obligations under our contracts with customers. We capitalize costs that were incurred with software that is developed or acquired for our revenue supporting platforms and amortize these costs over the estimated useful lives of those platforms. This amortization is separately stated under depreciation and amortization.

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Sales and Marketing

Our sales and marketing expenses consist primarily of salaries, bonuses, commissions, stock-based compensation, employee benefit costs, travel and miscellaneous departmental costs for our sales and sales support personnel, as well as marketing expenses such as brand marketing, public relation events, trade shows and marketing materials, and travel expenses.

General and Administrative

Our general and administrative expense consists primarily of salaries, bonuses, commissions, stock--based compensation, employee benefit costs, and miscellaneous departmental costs related to our executive, finance, legal, human resources, and other administrative personnel. It also includes travel, public company and investor relations expenses, as well as accounting and legal professional services fees, leasehold facilities-- costs, and other corporate-related expenses. General and administrative expense also includes our technology and development costs consisting primarily of our payroll costs for our internal engineers and contractors responsible for developing, maintaining and improving our technology, along with hosting and software subscription costs. These costs are expensed as incurred, except to the extent that they are associated with internal use software that qualifies for capitalization, which are then recorded as software development costs in the consolidated balance sheet. We also capitalize costs that are related to our acquired intangible assets. Depreciation and amortization related to these costs are separately stated under depreciation and amortization. General and administrative expense also includes costs related to our acquisitions and fluctuations in our estimates on contingent earnout payments and compensation allocations related to these acquisitions. To the extent that our contingent earnout estimates change, there will be fluctuations in the amount expensed each period.

Depreciation and Amortization

Depreciation and amortization consists primarily of amortization on our internal use software and acquired intangible assets from our business acquisitions. To a lesser extent, we also have depreciation and amortization on equipment and leasehold improvements used by our personnel. Costs are amortized or depreciated over the estimated useful lives of those assets.

Other Income (Expense)

Interest Expense. Interest expense is mainly related to the imputed interest on our acquisition costs payable and interest when we use our line of credit facility.

Change in Fair Value of Derivatives, net. On occasion, we enter into financing transactions that give rise to derivative liabilities. Additionally, we issue restricted stock that vests over future periods. These financial instruments are carried 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.

Other Income (Expense). Other income consists of interest income for interest earned on our cash and cash equivalent balances, the value of cryptocurrency received from our IZEA cryptocurrency mining operations which commenced in January 2018, and foreign currency exchange gains and losses on foreign currency transactions, primarily related to the Canadian Dollar.

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Results of Operations for the Three Months Ended June 30, 2018 and 2017

The following table sets forth a summary of our consolidated statements of operations and the percentage of change between the periods:

	(Unaudited)			
	Three Months Ended			
	June 30,			
	2018	2017	\$ Change	% Change
Revenue	\$4,120,960	\$5,712,904	\$(1,591,944)	(28)%
Costs and expenses:				
Cost of revenue (exclusive of amortization)	1,930,298	2,714,699	(784,401)	(29)%
Sales and marketing	1,735,596	1,886,528	(150,932)	(8)%
General and administrative	1,970,610	2,166,370	(195,760)	(9)%
Depreciation and amortization	210,691	358,260	(147,569)	(41)%
Total costs and expenses	5,847,195	7,125,857	(1,278,662)	(18)%
Loss from operations	(1,726,235)	(1,412,953)	(313,282)	22%
Other income (expense):				
Interest expense	(35,403)	(13,272)	(22,131)	167%
Change in fair value of derivatives, net	113,801	(8,420)	122,221	(1,452)%
Other income (expense), net	82	(11,953)	12,035	(101)%
Total other income (expense), net	78,480	(33,645)	112,125	(333)%
Net loss	\$(1,647,755)	\$(1,446,598)	\$(201,157)	14%

The following table sets forth a summary of our consolidated statements of operations as a percentage of revenue for the periods:

	Three Months Ended	
	June 30,	
	2018	2017
Revenue	100%	100%
Costs and expenses:		
Cost of revenue (exclusive of amortization)	47%	48%
Sales and marketing	42%	33%
General and administrative	48%	38%
Depreciation and amortization	5%	6%
Total costs and expenses	142%	125%
Loss from operations	(42)%	(25)%
Other income (expense):		
Interest expense	(1)%	—%
Change in fair value of derivatives, net	3%	—%
Other income (expense), net	—%	—%
Total other income (expense), net	2%	—%
Net loss	(40)%	(25)%

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Revenue

The following table illustrates our revenue by stream, the percentage of total revenue by stream, and the percentage of change between the periods:

	Three Months Ended				% Change
	June 30, 2018		June 30, 2017		
Managed Services	\$4,004,850	97 %	\$5,592,800	98 %	\$(1,587,950)(28)%
Content Workflow	62,761	2 %	93,910	2 %	(31,149)(33)%
Service Fees & Other Revenue	53,349	1 %	26,194	— %	27,155 104 %
Total Revenue by stream	\$4,120,960	100 %	\$5,712,904	100 %	\$(1,591,944)(28)%

Revenues for the three months ended June 30, 2018 decreased by \$1,591,944, or approximately 28%, compared to the same period in 2017.

We have invested the majority of our time and resources in our Managed Services, which provides the majority of our revenue. Our acquisitions of Ebyline and ZenContent allowed us to expand our product offerings to provide custom content in addition to and in combination with our influencer marketing campaigns. Revenue from Managed Services declined due to lower annual commitments from some of our larger customers for their 2018 advertising spends, along with a decrease in the number of smaller customers running short-term campaigns. Additionally, the revenue reported in 2017 is being reported pursuant to the previous GAAP reporting standards under ASC 605 while the revenue reported in 2018 is being reported pursuant to ASC 606. We adopted the new standards under the modified retrospective approach whereby we were not required to recalculate the revenue at each prior year reporting period. Changes between the standards results in timing differences on how revenue is recognized. As discussed in Note 8 under Item 1 of this Quarterly Report, the change in GAAP reporting standards resulted in an increase in revenue of \$185,202 between the periods.

Content Workflow revenue primarily results from newspaper and traditional publishers using the Ebyline platform on a self-service basis to produce and process their content needs and to a smaller extent from marketers and partners using the IZEAx platform on a SaaS basis to create and distribute content for marketing and advertising campaigns. Revenue from Content Workflow decreased by \$31,149, or approximately 33%, in the three months ended June 30, 2018 compared to the same period in 2017. Self-service use for transactions on the Ebyline platform is declining year over year due to the ongoing consolidation and cutbacks in the newspaper industry. Revenue from Content Workflow represents our net margins received on this business, which averaged approximately 7% in all years. We expect to see continued declines in total Content Workflow revenue due to the expected overall decline in the usage of our Ebyline platform by these legacy customers. However, we expect to see increases in Content Workflow revenue and improved margins from additional partners using the IZEAx platform in the second half of 2018.

Service Fee revenue increased by \$27,155 in the three months ended June 30, 2018 due to increased licensing fees generated from partners using our platforms.

Net bookings is a measure of sales orders received minus any cancellations or changes in a given period. Management uses net bookings as a leading indicator of future revenue recognition as revenue is typically recognized within 90-120 days of booking, though larger contracts may be recognized over twelve months from the original booking date. Net bookings can be affected by, among other things, cancellations or changes to orders that occur in future periods. Reductions in net bookings or changes in the expected timing of delivery for services due to delays and customer preferences or other considerations may result in fluctuations in expected future revenue. Net bookings related to our Managed Services were \$2.7 million in the three months ended June 30, 2018 compared to \$5.4 million in the three months ended June 30, 2017.

The decrease in net bookings is the result of a decreasing new opportunity pipeline in the first through third quarters of 2017, which impacts bookings and revenue on a trailing basis. In addition to reduced overall pipeline activity, there was also a higher concentration of larger opportunities in the pipeline during this period, thereby increasing our reliance on a smaller number of clients and campaigns. In the fourth quarter of 2017 through the second quarter of 2018, we saw a number of larger clients reduce, time shift, or eliminate their spending compared to prior years, which has significantly reduced our 2018 results. Year-over-year new opportunity pipeline growth began to return in the fourth quarter of 2017 and has continued in the first and second quarters of 2018. Management believes that the company will begin to see a positive effect and increasing quarter-over-quarter bookings starting in the third quarter of 2018, with revenue recognition trailing bookings. We anticipate lower year-over-year revenues from Managed Services when compared to prior years for the remainder of 2018, but significantly increased

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revenue from Content Workflow and Service Fee revenue due to additional SaaS customers licensing and utilizing our platforms for marketplace spending.

Cost of Revenue

Cost of revenue for the three months ended June 30, 2018 decreased by \$784,401, or approximately 29%, compared to the same period in 2017. Cost of revenue as a percentage of revenue decreased from 48% in 2017 to 47% in 2018. Our cost of revenue consists primarily of direct costs paid to our third-party creators who provide custom content and advertising and our internal personnel costs for the personnel who are primarily responsible for fulfillment of our obligations under our contracts for Managed Services. Our direct costs related to third-party creators are variable with the revenue they generate. The direct costs decreased to 37% of revenues for Managed Services during the three months ended June 30, 2018 compared to 39% for the same period in 2017. Our internal fulfillment costs are mostly fixed and do not track directly to the revenue that is produced during the period. As a result, as Managed Services revenue fell, our internal fulfillment costs increased to 11% of revenues for Managed Services during the three months ended June 30, 2018 compared to 10% for the same period in 2017.

Sales and Marketing

Sales and marketing expenses for the three months ended June 30, 2018 decreased by \$150,932, or approximately 8%, compared to the same period in 2017. The number of our sales, marketing and support personnel and contractors declined by 8% compared to the prior year period, which along with the decrease in variable compensation linked with sales performance, contributed to a reduction of approximately \$296,000 in sales and marketing payroll and personnel-related expenses. Marketing costs increased by approximately \$161,000 during the three months ended June 30, 2018 compared to the same period in 2017, due to our State of the Creator Economy survey which was produced and distributed during 2018 as an update to our latest report produced at the end of 2016. This survey provides key insight and sales resources for our internal team and customers.

General and Administrative

General and administrative expense for the three months ended June 30, 2018 decreased by \$195,760, or approximately 9% compared to the same period in 2017. The decrease was primarily attributable to the change in our acquisition cost liability estimate related to the ZenContent acquisition in July 2016.

On July 31, 2016, we purchased all of the outstanding shares of capital stock of ZenContent, Inc. for aggregate consideration up to \$4,500,000, consisting of guaranteed payments of \$2,000,000 and contingent performance payments up to \$2,500,000 based on ZenContent meeting certain revenue targets for each of the three years ending July 31, 2017, 2018 and 2019. These payments were subject to a downward adjustment of up to 30% if Brianna DeMike, ZenContent's co-founder, was terminated by IZEA for cause or if she terminated her employment without good reason. As a result, the Company initially reduced its remaining guaranteed acquisition cost liability and its estimated contingent performance payments by 30% to be accrued as compensation expense over the three-year term rather than allocated to the purchase price. The compensation expense recorded as general and administrative expense and accrued to the guaranteed portion of acquisition cost liability during the three months ended June 30, 2018 and 2017 was \$11,458 and \$61,459, respectively.

Based on the July 2018 amendment to the ZenContent Stock Purchase Agreement, as further described below under "Liquidity and Capital Resources," which resulted in a future fixed amount for the contingent performance payments, we determined that the current fair value of the \$2,500,000 contingent performance payments for ZenContent was \$96,998 as of June 30, 2018 compared to \$339,958 as of March 31, 2018. Therefore, we recorded a \$242,960 decrease in the fair value of the contingent performance payments during the three months ended June 30, 2018. Of this

amount, \$61,376 was allocated as a decrease in compensation expense and \$181,584 was allocated as a decrease in the fair value of the contingent performance payments.

During the three months ended June 30, 2017, we recorded a \$23,473 decrease in the fair value of the contingent performance payments when the estimated fair value decreased from the estimate of \$366,334 as of March 31, 2017 to \$342,861 as of June 30, 2017. Of this amount, \$6,473 was allocated as a decrease in compensation expense and \$17,000 was allocated as a decrease in the fair value of the contingent performance payments.

The total change in our acquisition cost liability related to both the guaranteed and contingent performance payments noted above was a decrease of \$231,502 and an increase of \$37,986 for the three months ended June 30, 2018 and 2017, respectively, thus contributing \$269,488 to the decrease between periods in general and administrative expense.

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Legal and accounting fees increased approximately \$240,000 during the three months ended June 30, 2018 as compared to the prior year period due to our acquisition activities and additional procedures related to revised statements and implementation of ASC 606 in our public filings. These increased costs were offset by reductions in general and administrative expense due to (i) lower payroll, stock compensation, and personnel related expenses of approximately \$41,000, (ii) capitalization of software development costs of \$135,000, and (iii) decreased investor relations costs of approximately \$6,000 due to a change in the timing of our annual meeting date which occurred in the second quarter in 2017.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended June 30, 2018 decreased by \$147,569, or approximately 41%, compared to the same period in 2017.

Depreciation and amortization expense on property and equipment was \$56,828 and \$54,541 for the three months ended June 30, 2018 and 2017, respectively.

Our amortization expense was \$153,863 and \$303,719 for the three months ended June 30, 2018 and 2017, respectively. Amortization expense related to intangible assets acquired in the Ebyline and ZenContent acquisitions was \$80,241 and \$249,907 for the three months ended June 30, 2018 and 2017, respectively. Amortization expense on our intangible acquisition assets is declining significantly as several of the items completed the amortization period for their useful lives. Amortization expense related to internal use software development costs was \$73,622 and \$53,812 for the three months ended June 30, 2018 and 2017, respectively, and is increasing as we continue to develop our IZEAx platform.

Other Income (Expense)

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

Interest expense increased by \$22,131 to \$35,403 during the three months ended June 30, 2018 compared to the same period in 2017 primarily due to higher interest rates and higher amounts outstanding on our credit facility in 2018.

We recorded income of \$113,801 and expense of \$8,420 resulting from the change in the fair value of derivatives during the three months ended June 30, 2018 and 2017, respectively.

The \$12,035 increase in other income (expense) between the periods is the result of the net value of cryptocurrency we received from our cryptocurrency mining operations of approximately \$7,000 as well as currency exchange changes related to our Canadian transactions during the three months ended June 30, 2018 and 2017.

Net Loss

Net loss for the three months ended June 30, 2018 was \$1,647,755, which increased from a net loss of \$1,446,598 for the same period in 2017. The increase in net loss was primarily the result of reduced revenue as discussed above.

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Results of Operations for the Six Months Ended June 30, 2018 and 2017

The following table sets forth a summary of our consolidated statements of operations and the percentage of change between the periods:

	(Unaudited) Six Months Ended June 30,			
	2018	2017	\$ Change	% Change
Revenue	\$8,017,401	\$10,547,409	\$(2,530,008)	(24)%
Costs and expenses:				
Cost of revenue (exclusive of amortization)	4,093,440	5,051,759	(958,319)	(19)%
Sales and marketing	3,491,122	4,275,348	(784,226)	(18)%
General and administrative	3,585,832	4,613,288	(1,027,456)	(22)%
Depreciation and amortization	476,146	720,866	(244,720)	(34)%
Total costs and expenses	11,646,540	14,661,261	(3,014,721)	(21)%
Loss from operations	(3,629,139)	(4,113,852)	484,713	(12)%
Other income (expense):				
Interest expense	(56,714)	(30,348)	(26,366)	87%
Change in fair value of derivatives, net	(11,794)	(9,038)	(2,756)	30%
Other income (expense), net	4,772	(12,580)	17,352	(138)%
Total other income (expense), net	(63,736)	(51,966)	(11,770)	23%
Net loss	\$(3,692,875)	\$(4,165,818)	\$472,943	(11)%

The following table sets forth a summary of our consolidated statements of operations as a percentage of revenue for the periods:

	Six Months Ended June 30,	
	2018	2017
Revenue	100%	100%
Costs and expenses:		
Cost of revenue (exclusive of amortization)	51%	48%
Sales and marketing	44%	41%
General and administrative	45%	44%
Depreciation and amortization	6%	7%
Total costs and expenses	145%	139%
Loss from operations	(45)%	(39)%
Other income (expense):		
Interest expense	(1)%	—%
Change in fair value of derivatives, net	—%	—%
Other income (expense), net	—%	—%
Total other income (expense), net	(1)%	—%
Net loss	(46)%	(39)%

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Revenue

The following table illustrates our revenue by stream, the percentage of total revenue by stream, and the percentage of change between the periods:

	Six Months Ended			
	June 30, 2018	June 30, 2017	\$ Change	% Change
Managed Services	\$7,801,515	\$10,276,923	\$(2,475,408)	(24)%
Content Workflow, net	126,309	196,173	(69,864)	(36)%
Service Fees & Other	89,577	74,313	15,264	21%
Total Revenue	\$8,017,401	\$10,547,409	\$(2,530,008)	(24)%

Revenues for the six months ended June 30, 2018 decreased by \$2,530,008, or approximately 24%, compared to the same period in 2017.

We have invested the majority of our time and resources in our Managed Services, which provides the majority of our revenue. Our acquisitions of Ebyline and ZenContent allowed us to expand our product offerings to provide custom content in addition to and in combination with our influencer marketing campaigns.

Revenue from Managed Services declined due to lower initial annual commitments from some of our larger customers for their 2018 advertising spends, along with less sales and a decrease in smaller customers running short-term campaigns. Net bookings related to Managed Services were \$8.4 million in the six months ended June 30, 2018 compared to \$11.8 million in the six months ended June 30, 2017. As described in the three month comparison, the decrease in net bookings is the result of a decreasing new opportunity pipeline in the first through third quarters of 2017, which impacts bookings and revenue on a trailing basis. Although our annual revenue has historically increased since inception, we have seen a year-over-year decrease in revenue in the first half of 2018 and believe revenue related to our Managed Services will also be down year-over-year in the second half of 2018 based on these lower net bookings as they translate into future revenue.

The revenue reported in 2017 is being reported pursuant to the previous GAAP reporting standards under ASC 605 while the revenue reported in 2018 is being reported pursuant to ASC 606. We adopted the new standards under the modified retrospective approach whereby we were not required to recalculate the revenue at each prior year reporting period. Changes between the standards results in timing differences on how revenue is recognized. As discussed in Note 8 under Item 1 of this Quarterly Report, the change in standards resulted in a revenue decrease of \$12,946 between the periods.

Content Workflow revenue primarily results from newspaper and traditional publishers using the Ebyline platform on a self-service basis to produce and process their content needs and to a smaller extent from marketers and partners using the IZEAx platform on a SaaS basis to distribute content for marketing and advertising campaigns. Self-service use for transactions on the Ebyline platform is declining year over year due to the ongoing consolidation and cutbacks in the newspaper industry. Revenue from Content Workflow represents our net margins received on this business, which averaged approximately 7% in all years. We expect to see continued declines in total Content Workflow revenue compared to prior year levels due to the expected overall decline in the usage of our Ebyline platform by these legacy customers. We are not pursuing the addition of new customers using the Ebyline platform at these low margins and have focused our engineering and sales resources on providing services to customers under the IZEAx platform. However, we expect to see increases in Content Workflow revenue and improved margins from additional partners using the IZEAx platform in the second half of 2018.

Service Fee and Other revenue increased in the six months ended June 30, 2018, due to increased licensing fees generated from partners using our platforms.

Cost of Revenue

Cost of revenue for the six months ended June 30, 2018 decreased by \$958,319, or approximately 19%, compared to the same period in 2017. Cost of revenue as a percentage of revenue increased from 48% in 2017 to 51% in 2018. Our cost of revenue consists primarily of direct costs paid to our third-party creators who provide custom content and advertising and our internal personnel costs for those primarily responsible for fulfillment of our obligations under our Managed Services. Our direct costs related to third-party creators are variable with the revenue they generate and these remained consistent at approximately 39% of revenue for Managed Services in 2018 and 2017. Our internal fulfillment costs are mostly fixed and do not track directly to the revenue that is produced during the period. As a result, as Managed Services revenue fell, our internal

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fulfillment costs increased to 13% of revenues for Managed Services during the six months ended June 30, 2018 compared to 10% for the same period in 2017.

Sales and Marketing

Sales and marketing expenses for the six months ended June 30, 2018 decreased by \$784,226, or approximately 18%, compared to the same period in 2017. In February 2017, we held our IZEA Fest Conference for marketers and creators. This event was not repeated in 2018 and the non-recurrence of this event contributed to a reduction in our public relations expense of approximately \$480,000. Our sales, marketing and support personnel declined by 7%, which along with the decrease in variable compensation linked with sales performance, contributed to a reduction of approximately \$428,000 in sales and marketing payroll and personnel related expenses. Marketing costs increased by approximately \$168,000 during the six months ended June 30, 2018 compared to the same period in 2017, due to our State of the Creator Economy survey which was produced and distributed during 2018 as an update to our latest report produced at the end of 2016. This survey provides key insight and sales resources for our internal team and customers.

General and Administrative

General and administrative expense for the six months ended June 30, 2018 decreased by \$1,027,456, or approximately 22%, compared to the same period in 2017. The decrease was primarily attributable to the change in our acquisition cost liability estimate related to the ZenContent acquisition in July 2016.

On July 31, 2016, we purchased all of the outstanding shares of capital stock of ZenContent, Inc. for aggregate consideration up to \$4,500,000, consisting of guaranteed payments of \$2,000,000 and contingent performance payments up to \$2,500,000 based on ZenContent meeting certain revenue targets for each of the three years ending July 31, 2017, 2018 and 2019. These payments are subject to downward adjustment of up to 30% if Brianna DeMike, ZenContent's co-founder, is terminated by IZEA for cause or if she terminates her employment without good reason. As a result, the Company initially reduced its remaining guaranteed acquisition cost liability and its estimated contingent performance payments by 30% to be accrued as compensation expense over the three-year term rather than allocated to the purchase price. The compensation expense recorded as general and administrative expense and accrued to the guaranteed portion of acquisition cost liability during the six months ended June 30, 2018 and 2017 was \$22,916 and \$122,917, respectively.

Based on the July 2018 amendment to the ZenContent Stock Purchase Agreement, as further described below under "Liquidity and Capital Resources," which resulted in a future fixed amount for the contingent performance payments, we determined that the current fair value of the \$2,500,000 contingent performance payments for ZenContent was \$96,998 as of June 30, 2018 compared to \$744,510 as of December 31, 2017. Therefore, we recorded a \$647,512 decrease in the fair value of the contingent performance payments during the six months ended June 30, 2018. Of this amount, \$161,765 was allocated as a decrease in compensation expense and \$485,747 was allocated as a decrease in the fair value of the contingent performance payments.

During the six months ended June 30, 2017, we recorded a \$18,861 increase in the fair value of the contingent performance payments when the estimated fair value increased from the estimate of \$324,000 as of December 31, 2016 to \$342,861 as of June 30, 2017. Of this amount, \$74,861 was allocated as an increase in compensation expense and \$56,000 was allocated as a decrease in the fair value of the contingent performance payments.

The total change in our acquisition cost liability related to both the guaranteed and contingent performance payments noted above was a decrease of \$624,596 and an increase of \$141,778 for the six months ended June 30, 2018 and 2017, respectively, thus contributing \$766,374 to the decrease between periods in general and administrative expense.

The remaining decrease in general and administrative expense was due to (i) lower payroll, stock compensation, and personnel-related expenses of approximately \$119,000 due to lower bonus amounts accrued and lower stock expense on vested options in 2018, (ii) capitalization of software development costs of \$172,000, and (iii) decreased investor relations costs of approximately \$26,000 due to the non-renewal of our investor relations firm agreement in May 2017. Legal and accounting fees increased approximately \$100,000 during the six months ended June 30, 2018 as compared to the prior year period due our acquisition activities and additional procedures related to revised statements and implementation of ASC 606 in our public filings.

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Depreciation and Amortization

Depreciation and amortization expense for the six months ended June 30, 2018 decreased by \$244,720, or approximately 34%, compared to the same period in 2017.

Depreciation and amortization expense on property and equipment was \$112,866 and \$113,429 for the six months ended June 30, 2018 and 2017, respectively. Depreciation expense declined in 2017 due to minimal increases in our property and equipment and certain assets becoming fully depreciated.

Our amortization expense was \$363,280 and \$607,437 for the six months ended June 30, 2018 and 2017, respectively. Amortization expense related to intangible assets acquired in the Ebyline and ZenContent acquisitions was \$216,036 and \$499,813 for the six months ended June 30, 2018 and 2017, respectively. Amortization expense on our intangible acquisition assets is declining significantly as several of the items completed the amortization period for their useful lives. Amortization expense related to internal use software development costs was \$147,244 and \$107,624 for the six months ended June 30, 2018 and 2017, respectively, and is increasing as we continue to develop our IZEAx platform.

Other Income (Expense)

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

Interest expense increased by \$26,366 to \$56,714 during the six months ended June 30, 2018 compared to the same period in 2017 primarily due to higher interest rates and higher amounts outstanding on our credit facility in 2018.

We recorded expense of \$11,794 and \$9,038 resulting from the change in the fair value of restricted stock during the six months ended June 30, 2018 and 2017, respectively.

The \$17,352 increase in other income (expense) between the periods is the result of the net value of cryptocurrency we received from our cryptocurrency mining operations during the six months ended June 30, 2018 of approximately \$18,000 offset by currency exchange losses related to our Canadian transactions during the six months ended June 30, 2018 and 2017.

Net Loss

Net loss for the six months ended June 30, 2018 was \$3,692,875, a \$472,943 improvement from the net loss of \$4,165,818 for the same period in 2017. The reduction in net loss was primarily the result of reduced costs as discussed above.

Non-GAAP Financial Measures

Below are financial measures of our gross billings, cash-based operating expenses (“Cash Opex”) and Adjusted EBITDA. These are “non-GAAP financial measures” as defined under the rules of the Securities and Exchange Commission (the “SEC”). We use these non-GAAP financial measures to assess the progress of our business and make decisions on where to allocate our resources. As our business evolves, we may make changes in future periods to the key financial metrics that we consider to measure our business.

We define gross billings as the total dollar value of the amounts earned from our customers for the services we performed, or the amounts charged to our customers for their self-service purchase of goods and services on our platforms.

This is the amount of our reported revenue plus the cost of payments we made to third-party creators providing the content or sponsorship services which are netted against revenue for GAAP reporting purposes.

Gross billings for Content Workflow differs from revenue reported in our consolidated statements of operations, which is presented net of the amounts we pay to our third-party creators providing the content or sponsorship services. Gross billings for all other revenue equals the revenue reported in our consolidated statements of operations. We consider this metric to be an important indicator of our performance as it measures the total dollar volume of transactions generated through our marketplaces. Tracking gross billings allows us to monitor the percentage of gross billings that we are able to retain after payments to our creators. Additionally, tracking gross billings is critical as it pertains to our credit risk and cash flow. We invoice our customers based on our services performed or based on their self-service transactions plus our fee. Then we remit the agreed-upon transaction price to the creators. If we do not collect the money from our customers prior to the time of payment to our creators, we could experience large swings in our cash flows. Finally, gross billings allows us to evaluate our transaction totals on an equal basis in order for us to see our contribution margins by revenue stream so that we

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can better understand where we should be allocating our resources.

The following table sets forth a reconciliation from the GAAP measurement of Revenue to our non-GAAP financial measure of gross billings and the percentage change between the periods:

	Three Months Ended			
	June 30,			
	2018	2017	\$ Change	% Change
Revenue	\$4,120,960	\$5,712,904	\$(1,591,944)	(28)%
Plus transaction costs for third-party creators ⁽¹⁾	780,584	1,267,318	(486,734)	(38)%
Gross billings	\$4,901,544	\$6,980,222	\$(2,078,678)	(30)%

	Six Months Ended			
	June 30,			
	2018	2017	\$ Change	% Change
Revenue	\$8,017,401	\$10,547,409	\$(2,530,008)	(24)%
Plus transaction costs for third-party creators ⁽¹⁾	1,594,503	2,635,318	(1,040,815)	(39)%
Gross billings	\$9,611,904	\$13,182,727	\$(3,570,823)	(27)%

(1) Transaction costs related to third-party creators for services provided for the Content Workflow portion of our revenue reported on a net basis for GAAP.

The following table sets forth our gross billings by revenue stream, the percentage of total gross billings by revenue stream, and the percentage of change between the periods:

	Three Months Ended					
	June 30, 2018		June 30, 2017		\$ Change	% Change
Managed Services	\$4,004,850	82%	\$5,592,800	80%	\$(1,587,950)	(28)%
Content Workflow	843,345	17%	1,361,228	20%	(517,883)	(38)%
Service Fees & Other	53,349	1%	26,194	—%	27,155	104%
Total gross billings	\$4,901,544	100%	\$6,980,222	100%	\$(2,078,678)	(30)%

	Six Months Ended					
	June 30, 2018		June 30, 2017		\$ Change	% Change
Managed Services	\$7,801,515	80%	\$10,276,923	78%	\$(2,475,408)	(24)%
Content Workflow	1,720,812	18%	2,831,491	21%	(1,110,679)	(39)%
Service Fees & Other	89,577	1%	74,313	1%	15,264	21%
Total gross billings	\$9,611,904	99%	\$13,182,727	100%	\$(3,570,823)	(27)%

We define Cash Opex as the total of our operating expenses exclusive of unusual or non-cash expenses such as depreciation and amortization, non-cash stock related compensation, gain or loss on asset disposals or impairment and changes in acquisition cost estimates, and gains or losses on settlement of liabilities, if applicable.

We define Adjusted EBITDA as earnings or loss before interest, taxes, depreciation and amortization, non-cash stock-based compensation, gain or loss on asset disposals or impairment, changes in acquisition cost estimates, and all other non-cash income and expense items such as gains or losses on settlement of liabilities and exchanges, and changes in the fair value of derivatives, if applicable.

We use Cash Opex as a percentage of revenue and Adjusted EBITDA as measures of operating performance, for planning purposes, to allocate resources to enhance the financial performance of our business and in communications with our Board of Directors regarding our financial performance. We believe that Cash Opex as a percentage of revenue and Adjusted EBITDA also provide useful information to investors as they exclude transactions not related to our core cash operating business activities, including non-cash transactions, and they provide consistency and facilitate period-to-period comparisons. We believe that excluding these transactions allows investors to meaningfully trend and analyze the

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performance of our core cash operations. All companies do not calculate Cash Opex and Adjusted EBITDA in the same manner, and Cash Opex and Adjusted EBITDA as presented by us may not be comparable to Cash Opex and Adjusted EBITDA presented by other companies, which limits their usefulness as comparative measures.

Moreover, Cash Opex and Adjusted EBITDA have limitations as an analytical tool, and you should not consider them in isolation or as a substitute for an analysis of our results of operations as under GAAP. These limitations include that Cash Opex and Adjusted EBITDA:

- do not include stock-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- do not include stock issued for payment of services, which is a non-cash expense, but has been, and is expected to be for the foreseeable future, an important means for us to compensate our vendors and other parties who provide us with services;
- do not include changes in acquisition cost estimates as a result of the allocation of acquisition costs payable to compensation expense or changes in the estimate of contingent acquisition costs payable, which may or may not ever be paid, but may be a significant recurring expense for our business if we continue to make business acquisitions;
- do not include gains or losses on the settlement of acquisition costs payable or liabilities when the stock value, as agreed upon in the agreement, varies from the market price of our stock on the settlement date, which is a non-cash expense, but will continue to be a recurring expense for our business on certain business contracts where the amounts can vary; and
- do not include depreciation and intangible assets amortization expense, impairment charges and gains or losses on disposal of equipment, which is not always a current period cash expense, but the assets being depreciated and amortized may have to be replaced in the future.

Furthermore, Adjusted EBITDA excludes changes in fair value of derivatives, interest expense and other gains, losses, and expenses that we believe are not indicative of our ongoing core operating results, but these items may represent a reduction or increase in cash available to us.

Because of these limitations, Cash Opex should not be considered as a measure of our total operating expenses, and adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the operation and growth of our business or as a measure of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our GAAP results and using these non-GAAP financial measures as supplements. In evaluating these non-GAAP financial measures, you should be aware that in the future we may incur expenses similar to those for which adjustments are made in calculating Cash Opex and Adjusted EBITDA. Our presentation of these non-GAAP financial measures should also not be construed to infer that our future results will be unaffected by unusual or non-recurring items.

The following table sets forth a reconciliation from the GAAP measurement of Operating Expenses to our non-GAAP financial measure of Cash Opex and Cash Opex as a percentage of revenue for the three and six months ended June 30, 2018 and 2017:

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	Three Months Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Total costs and expenses	\$5,847,195	\$7,125,857	\$11,646,540	\$14,661,261
Less:				
Non-cash stock-based compensation	203,351	167,870	349,632	326,846
Non-cash stock issued for payment of services	33,819	22,830	62,490	83,462
(Gain) loss on disposal of equipment	(2,253)	(1,734)	(1,400)	(3,687)
(Gain) loss on settlement of acquisition costs payable	—	—	—	(10,491)
Increase (decrease) in value of acquisition costs payable	(231,502)	37,986	(624,596)	141,778
Depreciation and amortization	210,691	358,260	476,146	720,866
Total excluded expenses	214,106	585,212	262,272	1,258,774
Cash Opex	\$5,633,089	\$6,540,645	\$11,384,268	\$13,402,487
Revenue	\$4,120,960	\$5,712,904	\$8,017,401	\$10,547,409
Cash Opex / Revenue	137	% 114	% 142	% 127

The following table sets forth a reconciliation from the GAAP measurement of net loss to our non-GAAP financial measure of Adjusted EBITDA for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Net loss	\$(1,647,755)	\$(1,446,598)	\$(3,692,875)	\$(4,165,818)
Non-cash stock-based compensation	203,351	167,870	349,632	326,846
Non-cash stock issued for payment of services	33,819	22,830	62,490	83,462
(Gain) loss on disposal of equipment	(2,253)	(1,734)	(1,400)	(3,687)
(Gain) loss on settlement of acquisition costs payable	—	—	—	(10,491)
Increase (decrease) in value of acquisition costs payable	(231,502)	37,986	(624,596)	141,778
Depreciation and amortization	210,691	358,260	476,146	720,866
Interest expense	35,403	13,272	56,714	30,348
Change in fair value of derivatives	(113,801)	8,420	11,794	9,038
Adjusted EBITDA	\$(1,512,047)	\$(839,694)	\$(3,362,095)	\$(2,867,658)
Revenue	\$4,120,960	\$5,712,904	\$8,017,401	\$10,547,409
Adjusted EBITDA as a % of Revenue	(37)%	(15)%	(42)%	(27)%

Liquidity and Capital Resources

We had cash and cash equivalents of \$1,878,159 as of June 30, 2018 as compared to \$3,906,797 as of December 31, 2017, a decrease of \$2,028,638 primarily due to the funding of our operating losses. We have incurred significant net losses and negative cash flow from operations for most periods since our inception, which has resulted in a total accumulated deficit of \$51,069,117 as of June 30, 2018. To date, we have financed our operations through internally generated revenue from operations and the sale and exercise of our equity securities.

Cash used for operating activities was \$1,983,259 during the six months ended June 30, 2018 and is the result of expenses exceeding our revenues. Cash used for investing activities was \$398,529 during the six months ended June 30, 2018 due to internal costs related to the development of our proprietary software and purchases of computer and office equipment. Cash provided by financing activities during the six months ended June 30, 2018 was \$353,150, which amount consisted primarily of net advances received from our line of credit with Western Alliance Bank.

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On July 26, 2018, we completed our merger with TapInfluence. At closing, we paid the sum of \$1,500,000 less an estimated closing working capital adjustment of negative \$181,633 in cash, and issued 1,150,000 shares of our common stock valued at \$1,759,500 based on the \$1.53 closing market price of our common stock on July 26, 2018. We will pay TapInfluence stockholders an additional \$4,500,000 in the form of cash, common stock or a combination thereof, at our option, in two installments - \$1,000,000 six months after the closing date and \$3,500,000 twelve months after the closing date of the merger. See Item 1A. Risk Factors under Part II of the Quarterly Report for additional discussion regarding this transaction.

On July 30, 2018, we paid \$333,333 for the second annual installment due under ZenContent Stock Purchase Agreement. Of this amount \$111,111 was paid in cash and \$222,222 was paid using 98,765 shares of our common stock valued at \$2.25 per share using a thirty (30) trading day volume-weighted average closing price as reported by the NASDAQ Capital Market prior to the issuance date. On July 30, 2019, we will be required to make the third and final annual installment payment of \$333,334 in the form of either cash or additional shares of our common stock (determined at our option) as long as at least a minimum of 33% is paid in the form of cash. We are also required to pay contingent performance payments of \$90,000 pursuant to the ZenContent Stock Purchase Agreement, as amended, due as \$45,000 in cash on November 1, 2018 and as \$45,000 in cash or stock, at our option on November 1, 2019.

We have a secured credit facility agreement with Western Alliance Bank, the parent company of Bridge Bank, National Association. Pursuant to this agreement, we may submit requests for funding up to 80% of our eligible accounts receivable up to a maximum credit limit of \$5 million. As of June 30, 2018, we had \$845,365 outstanding under this agreement. Assuming that all of our accounts receivable balance was eligible for funding, we had remaining available credit of \$1,580,829 under the agreement as of June 30, 2018. Additionally, on July 2, 2018, we completed an underwritten public offering for the sale of 3,556,000 shares of our common stock at a public offering price of \$1.00 per share. The net proceeds for all shares sold by us in the public offering were approximately \$3.1 million after deducting underwriting discounts and commissions and estimated offering expenses.

We believe that with the cash on hand after our July 2018 financing and the expected additional revenue streams and operational efficiencies after our merger with TapInfluence in July 2018, along with our available credit line with Western Alliance Bank, we will have sufficient cash reserves and financing sources available to cover expenses into the fourth quarter of 2018. However, we do not have enough cash to pay our future obligations relating to our acquisitions of ZenContent and TapInfluence obligations as they become due in January 2019 and July 2019. We intend to rely on our ability to issue shares of our common stock as payment, but if we are limited in our ability to issue shares, cannot raise additional cash through our operations, increased borrowing on our credit facilities, or through a sale of our equity or equity linked securities to pay for these future obligations, we will need to significantly slow or pause our business activities and reduce expenses until such time as we are able to raise additional capital or perhaps even cease the operation of our business.

We are currently exploring potential financing options that may be available to us. However, we have no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all. If we are unable to obtain additional financing in a timely fashion and on terms acceptable to us, our financial condition and results of operations may be materially adversely affected and we may not be able to continue operations based on our current plan. These and other factors raise substantial doubt about our ability to continue as a going concern for one year from the issuance of the accompanying financial statements. The financial statements accompanying this report do not include any adjustments that might be necessary should we be unable to continue as a going concern.

Off-Balance Sheet Arrangements

As of June 30, 2018, 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 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 us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, tax positions and stock-based compensation. When making these estimates and assumptions, we consider our historical experience,

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our knowledge of economic and market factors and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of the financial statements.

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are customer obligations due under normal trade terms. Uncollectibility 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 a marketer for a creator to develop or share content on behalf of a marketer. 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. The Company controls credit risk through credit approvals, credit limits and monitoring procedures. We perform credit evaluations of our customers but generally do not require collateral to support accounts receivable. We determine the collectibility 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 of \$189,000 for doubtful accounts as of June 30, 2018. We believe that this estimate is reasonable, but there can be no assurance that the estimate will not change as a result of a change in economic conditions or business conditions within the industry, the individual customers or our Company. Any adjustments to this account are reflected in the consolidated statements of operations as a general and administrative expense. Bad debt expense was less than 1% of revenue for the three and six months ended June 30, 2018 and 2017.

Software Development Costs and Acquired Intangible Software

In accordance with Accounting Standards Codification (“ASC”) 350-40, Internal Use Software, we capitalize certain internal use software development costs associated with creating and enhancing internally developed software related to our platforms. Software development activities generally consist of three stages (i) the research and planning stage, (ii) the application and development stage, and (iii) the post-implementation stage. Costs incurred in the planning and post-implementation stages of software development, or other maintenance and development expenses that do not meet the qualification for capitalization are expensed as incurred. Costs incurred in the application and infrastructure development stage, including significant enhancements and upgrades, are capitalized. These costs include personnel and related employee benefits expenses for employees or consultants who are directly associated with and who devote time to software projects, and external direct costs of materials obtained in developing the software. As a result, we have capitalized \$1,819,005 to software development costs in the consolidated balance sheet as of June 30, 2018. We also acquired additional proprietary software platforms valued at \$530,000 during our acquisition of Ebyline and ZenContent. These costs are reflected as intangible assets in the consolidated balance sheet as of June 30, 2018. We do not transfer ownership of our software to third parties. These software development and acquired technology costs are amortized on a straight-line basis over the estimated useful life of five years upon initial release of the software or additional features under depreciation and amortization expense in the consolidated statements of operations.

Revenue Recognition

We derive our revenue from providing content services or managing advertising campaigns for our customers, as well as from making our platforms available to allow customers the ability to purchase content directly from our creators. Managed Services is when a marketer (typically a brand, agency or partner) contracts IZEA to provide custom content or sponsored social services (including amplification services). Content Workflow is derived from the self-service use of our platforms by marketers and partners to handle their content workflow, from initial request of a content, sponsorship or amplification service to actual review, approval, tracking and receipt of the content or distribution. Service Fee Revenue is generated from various service and license fees charged to users of our platforms.

On January 1, 2018, we adopted Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (ASC 606) using the modified retrospective method, under which comparative periods will not be restated and the cumulative effect of applying the standard will be recognized at the date of initial adoption on January 1, 2018. Under the modified retrospective method, we only applied the new standard to contracts that were not completed as of January 1, 2018. Under ASC 606, revenue is recognized based on a five-step model and, in doing so, more judgment and estimates may be required within the revenue recognition process than were required under the former rules. We have reviewed our sources of revenue in accordance with each of the five steps in the model, which are as follows: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) performance obligations are satisfied. The core principle of ASC 606 is that revenue will be recognized when the transfer of promised goods or services to customers

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is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within each contract and determine those that are distinct performance obligations. We also determine whether we act as an agent or a principal for each identified performance obligation. The determination of whether we act as the principal or the agent is highly subjective and requires us to evaluate a number of indicators individually and as a whole in order to make its determination. For transactions in which we act as a principal, revenue is reported on a gross basis as the amount paid by the marketer for the purchase of content or sponsorship, promotion and other related services and we record the amounts we pay to third-party creators as cost of revenue. For transactions in which we act as an agent, revenue is reported on a net basis as the amount we charged to the self-service marketer using the platform, less the amounts paid to the third--party creators providing the service.

We maintain separate arrangements with each marketer and content creator either in the form of a master agreement or terms of service, which specifies the terms of the relationship and access to its platforms, or by statement of work, which specifies the price and the services to be performed, along with other terms. The transaction price is determined based on the fixed fee stated in the statement of work and does not contain variable consideration. Marketers who use us to manage their advertising campaigns or custom content requests may prepay for services or request credit terms. Payment terms are typically 30 days from the invoice date. The agreement typically provides for a cancellation fee if the agreement is canceled by the customer prior to completion of services. Billings in advance of completed services are recorded as a contract liability until earned. We assess collectibility based on a number of factors, including the creditworthiness of the customer and payment and transaction history. The allocation of the transaction price to the performance obligations in the contract is based on a cost plus methodology.

For Managed Services, we enter into an agreement to provide services that may include multiple distinct performance obligations in the form of: (i) an integrated marketing campaign to provide sponsored social services, which may include the provision of blogs, tweets, photos or videos shared through social network offerings and content promotion, such as click-through advertisements appearing in websites and social media channels; and (ii) custom content items, such as a research or news article, informational material or videos. Marketers typically purchase sponsored social services for the purpose of providing public awareness or advertising buzz regarding the marketer's brand and they purchase custom content for internal and external needs. We may provide one type or a combination of all types of these performance obligations on a statement of work for a lump sum fee. We allocate revenue to each performance obligation in the contract at inception based on its relative standalone selling price. These performance obligations are to be provided over a stated period that may range from one day to one year. Revenue is accounted for when the performance obligation has been satisfied depending on the type of service provided. We view our obligation to deliver sponsored social services, including management services, as a single performance obligation that is satisfied over time as the customer receives the benefits from the services. Revenue is recognized using an input method of costs incurred compared to total expected costs to measure the progress towards satisfying the overall performance obligation of the marketing campaign. The delivery of custom content represents a distinct performance obligation that is satisfied over time as we have no alternative for the custom content and we have an enforceable right to payment for performance completed to date under the contracts. We consider custom content to be a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer, and revenue is recognized over time using an output method based on when each individual piece of content is delivered to the customer. Based on our evaluations, revenue from Managed Services is reported on a gross basis, because we have the primary obligation to fulfill the performance obligations and we create, review and control the services. We take on the risk of payment to any third-party creators and we establish the contract price directly with our customers based on the services requested in the statement of work.

For Content Workflow services, the self-service customer instructs creators found through our platforms to provide or distribute custom content for an agreed upon transaction fee. Our platforms control the contracting, description of services, acceptance of and payment for the requested content. This service is used primarily by news agencies or marketers to control the outsourcing of their content and advertising needs. We charge the self-service customer the transaction price plus a fee based on the contract. Revenue is recognized when the transaction is completed by the creator and accepted by the marketer. Based on our evaluations, Content Workflow revenue is reported on a net basis because we are acting as an agent solely arranging for the third-party creator to provide the services directly to the self-service customer through the platform.

Service Fee Revenue is generated when fees are charged to customers primarily related to subscription fees for different levels of service within a platform, licensing fees for the use of the IZEAX or Ebyline platforms, inactivity fees and early cash-out fees. Fees for subscription or licensing services are recognized straight-line over the term of service, while other fees are recognized at a point in time when the account is deemed inactive or a cash-out below certain minimum thresholds is requested.

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We do not typically engage in contracts that are longer than one year. Therefore, we do not capitalize costs to obtain our customer contracts as these amounts would be generally recognized over less than one year and are not material.

Changes in how we control and manage our platforms, our contractual terms, our business practices, or other changes in accounting standards or interpretations, may change the reporting of our revenue. Effective January 1, 2018, we became subject to new guidelines for disclosing and accounting for our revenue from contracts with customers. See Note 8 under Part I, Item 1 of this Quarterly Report for further details on the Company's adoption and disclosures related to ASC 606.

Stock-Based Compensation

Stock-based compensation is measured at the 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 typically 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 five or ten-year contract lives. We estimate the fair value of our common stock using the closing stock price of our common stock on the date of the grant. We estimate the volatility of our common stock at the date of grant based on the volatility of comparable peer companies that are publicly traded and have had a longer trading history than us. 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, and a revised amount of unamortized compensation expense to be recognized in future periods.

The following table shows the number of options granted under our 2011 Equity Incentive Plans and the assumptions used to determine the fair value of those options during the year ended December 31, 2017 and the six months ended June 30, 2018:

Period Ended	Total Options Granted	Weighted Average Exercise Price	Weighted Average Expected Term	Weighted Average Volatility	Weighted Average Risk Free Interest Rate	Weighted Average Grant Date Fair Value
December 31, 2017	141,246	\$3.49	6.0 years	50.16%	2.06%	\$1.76
June 30, 2018	33,589	\$2.75	6.0 years	59.07%	2.67%	\$1.52

There were outstanding options to purchase 1,020,643 shares with a weighted average exercise price of \$5.89 per share, of which options to purchase 766,828 shares were exercisable with a weighted average exercise price of \$6.24 per share as of June 30, 2018. The intrinsic value on outstanding options as of June 30, 2018 was \$0. The intrinsic value on exercisable options as of June 30, 2018 was \$0.

Recent Accounting Pronouncements

See "Note 1. Company and Summary of Significant Accounting Policies," under Item 1 of this Quarterly Report for information on additional recent pronouncements.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4 – CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the

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“Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Furthermore, controls and procedures could be circumvented by the individual acts of some persons, by collusion or two or more people or by management override of the control. Misstatements due to error or fraud may occur and not be detected on a timely basis.

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, an evaluation was performed under the supervision and with the participation of our management including our principal executive officer and principal financial officer to determine the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2018. Based on that evaluation our principal executive and principal financial officers concluded that our disclosure controls and procedures were not effective as of June 30, 2018 due to a previously disclosed material weakness in internal control over financial reporting as discussed below. This material weakness was identified and discussed in “Part II - Item 9A - Controls and Procedures” of our Annual Report on Form 10-K for the year ended December 31, 2017.

We identified the following material weakness in the operation of our internal control over financial reporting: we did not maintain effective controls concerning our presentation of revenue related to certain aspects of our statement of operations. Specifically, we determined that for certain historical periods, revenue from Content Workflow services should have been reported on a net transaction basis where the cost of the Content Workflow revenues should be netted against the revenue generated from the transactions. In addition, we determined that cost of revenue related to our Managed Services only included the direct cost of the content that was being purchased by our customers, and did not appropriately include the cost of our internal personnel responsible for fulfilling these services. We historically considered and reported the cost of our campaign fulfillment personnel as part of our sales and marketing expenses.

These errors were subsequently identified and corrected, and resulted in a restatement of the (i) consolidated statements of operations for the years ended December 31, 2015 and 2016 and (ii) consolidated statements of operations for each quarter within the years ended December 31, 2015 and 2016, and the first three quarters for the year ended December 31, 2017. The restated periods were included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. The errors had no impact on our previously reported loss from operations, net loss, loss per share, or on any of the Company's consolidated balance sheets, statements of cash flows, and statements of stockholders' equity.

To remediate the material weakness described above, we have implemented additional controls including the engagement of independent third-party technical accounting experts to assist management with the adoption of new accounting pronouncements, the review and evaluation of significant contracts, and the related financial reporting. We are continuing to evaluate our processes and controls after giving effect to the additional controls. Further processes and controls may be added. We believe that these measures will remediate the material weakness identified and strengthen the Company's internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

On April 4, 2018, a securities lawsuit, Julian Perez v. IZEA, Inc., et al., case number 2:18-cv-02784-SVW-GJS was instituted in the U.S. District Court for the Central District of California against the Company and certain of its executive officers on behalf of certain purchasers of the Company's common stock. The plaintiffs seek to recover damages for investors under federal securities laws. The Company believes that the plaintiffs' allegations are without merit and intends to vigorously defend against the claims. The Company is still in the early stages of this litigation and is unable to estimate a reasonable range of loss, if any, that may result from this matter.

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of our business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any other legal proceedings or claims that we believe would or could have, individually or in the aggregate, a material adverse effect on us. Regardless of final outcomes, however, any such proceedings or claims may nonetheless impose a significant burden on management and employees and may come with costly defense costs or unfavorable preliminary interim rulings.

ITEM 1A – RISK FACTORS

In addition to the information set forth under Item 1A of Part I to our Annual Report on Form 10-K for the year ended December 31, 2017, the information set forth at the beginning of Management's Discussion and Analysis entitled "Special Note Regarding Forward-Looking Information," and updates noted below, you should consider that there are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. If any of these risks actually occur, our business, financial condition or results of operation may be materially and adversely affected. In such case, the trading price of our common stock could decline and investors could lose all or part of their investment. These risk factors may not identify all risks that we face and our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations.

We have a history of net 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 for most periods since our inception, which has resulted in a total accumulated deficit of \$51,069,117 as of June 30, 2018. For the six months ended June 30, 2018, we had a net loss of \$3,692,875, including a \$3,629,139 loss from operations and we expect to incur a net loss for the fiscal year 2018. We have seen a year-over-year decrease in revenue in the first half of 2018 and believe revenue will also decrease year-over-year in the second half of 2018 related to our Managed Services. We have not achieved profitability and cannot be certain that we will be able to realize sufficient revenue to achieve profitability. Therefore, we may need to develop a plan to raise additional capital or make further reductions in our operating expenses in order to achieve profitability.

We have raised and will need to raise additional capital to meet our business requirements and purchase obligations in the future and such capital raising may be costly or difficult to obtain and could dilute current stockholders' ownership interests.

We have incurred losses since inception and expect to continue to incur losses until we are able to significantly grow our revenues. Our cash balance as of June 30, 2018 was \$1,878,159. On July 2, 2018, we completed an underwritten public offering for the sale of 3,556,000 shares of our common stock at a public offering price of \$1.00 per share. The net proceeds for all shares sold by us in the public offering were approximately \$3.1 million after deducting

underwriting discounts and commissions and estimated offering expenses; however, we expect additional financing transactions will be necessary to meet our business requirements and purchase obligations.

We have seen a year-over-year decrease in revenue in the first half of 2018 and believe revenue from Managed Services will also decrease year-over-year in the second half of 2018 due to the lower bookings received in the fourth quarter of 2017 through the second quarter of 2018. Our revenue results from numerous individual one-time orders, which we cannot predict with reasonable certainty. If our annual revenue continues to decline from prior year levels at a rate similar to or greater than the decline in the first half of 2018 and future commitments do not increase as anticipated, we will need additional financing to maintain and expand our business. Such financing may not be available on favorable terms, if at all. Any additional capital raised through the sale of equity or equity linked securities may dilute current stockholders' ownership percentages and could also result in a decrease in the market value of our equity securities. The terms of any securities issued by us in future capital transactions may be more favorable to new investors, and may include preferences, superior voting rights and the

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issuance of warrants or other derivative securities, which may have a further dilutive effect on the holders of any of our securities then outstanding.

If we are unable to obtain such additional financing on a timely basis or generate sufficient revenues from operations, we may have to curtail our activities and growth plans, reduce expenses, and/or sell assets, perhaps on unfavorable terms, which would have a material adverse effect on our business, financial condition and results of operations, and ultimately we could be forced to discontinue our operations and liquidate, in which event it is unlikely that stockholders would receive any distribution on their shares.

In addition, we may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may be required to bear the costs even if we are unable to successfully complete any such capital financing. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible promissory notes and warrants, which may adversely impact our financial results.

We will need to raise additional capital to finance obligations relating to recent acquisitions if we are not able to obtain stockholder approval to satisfy such obligations by payment in shares of common stock.

We have remaining future purchase obligations to pay for our acquisitions of ZenContent, Inc. in July 2016 and our acquisition of TapInfluence in July 2018, which obligate us to make certain deferred payments of the respective purchase prices, which may be made in common stock at our election. We do not have enough cash to cover these current obligations and intend to rely on our ability to issue shares of our common stock as payment, our ability to raise additional capital through the sale of equity or equity linked securities, or our ability to utilize or secure other debt financing to pay for our current obligations. The issuance of a substantial number of shares of our common stock to the former stockholders of TapInfluence or ZenContent or the perception that such issuances may occur could cause our stock price to decline, make it more difficult for us to raise funds through future offerings of our common stock or acquire other businesses using our common stock as consideration. In addition, such issuance would dilute your percentage of ownership of our common stock.

Additionally, in order to finance these purchase obligations with issuances of our common stock, we may need to seek stockholder approval under Nasdaq Marketplace Rules, which in certain circumstances require stockholder approval for any issuance or series of issuances of equity securities that would comprise more than 20% of the total shares of our common stock outstanding before such issuance or issuances. However, we may not be successful in obtaining any such stockholder approval, in which case we may need to seek alternative sources of financing.

There can be no assurance that we will continue to meet the requirements for our common stock to trade on the Nasdaq Capital Market.

Since becoming listed on the Nasdaq Capital Market on January 26, 2016, we have been required to comply with certain Nasdaq listing requirements, including, without limitation, with respect to our corporate governance, finances and stock price. In particular, Nasdaq rules include minimum bid price, stockholders' equity and public float requirements.

Among other continued listing requirements, Nasdaq requires us to maintain at least \$2.5 million in stockholders' equity and a minimum bid price of \$1.00. As of June 30, 2018 our stockholders' equity balance was \$2,267,314, below Nasdaq's minimum continued listing standard. However, on July 2, 2018, we completed an underwritten public offering for the sale of 3,556,000 shares of the Company's common stock at a public offering price of \$1.00 per share. The net proceeds were approximately \$3.1 million, which then increased our stockholders' equity above the \$2.5 million stockholders' equity minimum, keeping us in compliance with the Nasdaq standard. Although we regained compliance after completing the underwritten public offering, there can be no assurance that we will be able to

maintain the required stockholders' equity balance or meet other continued listing requirements in the future.

If we fall below the minimum requirements, we will need to develop a plan to regain compliance that is satisfactory to Nasdaq. Such plans may include raising additional capital. Sales of a substantial number of shares of our common stock or securities convertible or exercisable into shares of our common stock could cause the market price of our common stock to drop and could dilute your percentage of ownership. If our plans are unsuccessful, our common stock may be delisted from the Nasdaq Capital Market.

If our common stock were delisted from the Nasdaq Capital Market, it would likely lead to a number of negative implications, including an adverse effect on the price of our common stock, reduced liquidity in our common stock, the loss of federal preemption of state securities laws and greater difficulty in obtaining financing. In the event of a delisting, we would

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expect to take actions to restore our compliance with Nasdaq's listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock or prevent future non-compliance with Nasdaq's listing requirements. We have been named as a defendant in a securities class action lawsuit. This litigation, and any other similar or related claims or investigations, could result in substantial damages and cost and may divert management's time and attention from our business.

Soon after the announcement of a restatement of our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017, we and certain of our officers and directors were named as parties in lawsuits relating to the restatement, which are ongoing.

A securities class action lawsuit, Julian Perez, individually, and on behalf of all others similarly situated v. IZEA, Inc., et al., case number 2:18-cv-02784-SVW-GJS was instituted April 4, 2018 in the U.S. District Court for the Central District of California against us and certain of our executive officers on behalf of certain purchasers of our common stock. The plaintiffs seek to recover damages for investors under federal securities laws. We are still in the early stages of this litigation and are unable to estimate a reasonably possible range of loss, if any, that may result from this matter.

On July 3, 2018, a shareholder derivative lawsuit, Korene Stuart v. Edward H. Murphy et al., case number A-18-777135-C was instituted in the Eighth Judicial District Court of the State of Nevada, Clark County against certain executive officers and members of the Board of Directors for IZEA, Inc. IZEA, Inc. has been named as a nominal defendant. The plaintiff seeks to recover damages on behalf of the company for purported breaches of the individual defendants' fiduciary duties as directors and/or officers of IZEA, Inc., unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets in violation of state common law. We believe that the plaintiff's allegations are without merit and intend to vigorously defend against the claims.

These lawsuits, and any other similar or related claims or investigations, could result in the diversion of management's time and attention away from business operations, which could harm our business and also harm our relationships with existing customers, vendors and business partners. The lawsuit may also materially damage our reputation and the value of our brand. Our legal expenses incurred in defending the lawsuit, and any other similar or related matters, could be significant, and a ruling against us, or any settlement, could have a material adverse effect on us.

There can be no assurance that any litigation to which we are, or in the future may become, a party will be resolved in our favor. This lawsuit and any other lawsuits that we may become party to are subject to inherent uncertainties, and the costs to us of defending litigation matters will depend upon many unknown factors. Any claim that is successfully decided against us may require us to pay substantial damages, including punitive damages, and other related fees. Regardless of whether lawsuits are resolved in our favor or if we are the plaintiff or the defendant in the litigation, any lawsuits to which we are or may become a party will likely be expensive and time consuming to defend or resolve.

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

As of August 13, 2018, we had 10,665,698 shares of common stock issued, outstanding stock options to purchase 1,034,977 shares of our common stock at an average exercise price of \$5.78 per share, and outstanding warrants to purchase 514,012 shares of our common stock at an average exercise price of \$8.47 per share.

We also have reserved shares to issue stock options, restricted stock or other awards to purchase or receive up to 281,286 shares of common stock under our May 2011 Equity Incentive Plan and 22,405 shares of common stock under our 2014 Employee Stock Purchase Plan. In the future, we may grant additional stock options, restricted stock units, warrants and convertible securities, as well as issue additional shares of common stock pursuant to the earn-out

provisions of the stock purchase agreements in connection with our ZenContent and TapInfluence acquisitions. The exercise, conversion or exchange by holders of stock options, restricted stock units, warrants or convertible securities for shares of common stock, and the issuance of new shares pursuant to acquisition earn-out provisions, 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.

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

None

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable

ITEM 5 - OTHER INFORMATION

We have delayed our 2018 Annual Meeting of Stockholders (the "2018 Annual Meeting") and have not yet established a definitive meeting date for the 2018 Annual Meeting. Because the 2018 Annual Meeting has been delayed by more than 30 days from June 21, 2017 (the anniversary of our 2017 Annual Meeting of Stockholders), in accordance with Rule 14a-5(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are disclosing such delay in this report. When the date of the 2018 Annual Meeting is determined, we will issue a notice that complies with the requirements of Rule 14a-5(f) and Rule 14a-8(e) under the Exchange Act.

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ITEM 6 – EXHIBITS

Exhibit Number	Description
2.1	<u>Agreement and Plan of Merger, dated as of July 11, 2018, by and among IZEA, Inc., IZEA Merger Sub, Inc., TapInfluence, Inc., certain stockholders of TapInfluence, Inc. and the stockholders' representative (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on July 12, 2018).</u>
2.2	<u>Amendment No. 1 to Agreement and Plan of Merger, dated as of July 20, 2018, by and among IZEA, Inc., IZEA Merger Sub, Inc., TapInfluence, Inc., certain stockholders of TapInfluence, Inc. and the stockholders' representative (Incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the SEC on July 30, 2018).</u>
10.1*	<u>Amendment No. 1 to Stock Purchase Agreement, dated as of October 21, 2016, by and among IZEA, Inc., ZenContent, Inc. and the Stockholders of ZenContent, Inc.</u>
10.2*	<u>Amendment No. 2 to Stock Purchase Agreement, dated as of July 17, 2018, by and among IZEA, Inc., ZenContent, Inc. and the Stockholders of ZenContent, Inc.</u>
10.3*	<u>Employment Agreement between IZEA, Inc. and Michael Heald effective August 15, 2018.</u>
31.1*	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101	The following materials from IZEA, Inc.'s Annual Report on Form 10-Q for the quarter ended June 30, 2018 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Unaudited Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Operations, (iii) the Unaudited Consolidated Statement of Stockholders' Equity, (iv) the Unaudited Consolidated Statements of Cash Flow, and (iv) Notes to the Unaudited Consolidated Financial Statements.

*Filed or furnished herewith.

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

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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized.

IZEA, Inc.
a Nevada corporation

August 14, 2018 By: /s/ Edward H. Murphy
Edward H. Murphy
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

August 14, 2018 By: /s/ LeAnn C. Hitchcock
LeAnn C. Hitchcock
Chief Financial Officer
(Principal Financial and Accounting Officer)