

IZEA, Inc.
Form 10-Q
May 15, 2014
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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 March 31, 2014

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

For the transition period from _____ to _____

Commission File No.: 333-167960

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

Nevada
(State or other jurisdiction of
incorporation or organization)

37-1530765
(I.R.S. Employer
Identification No.)

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

32789
(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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 9, 2014, there were 57,046,381 shares of our common stock outstanding.

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Quarterly Report on Form 10-Q for the period ended March 31, 2014

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

IZEA, Inc.

Consolidated Balance Sheets

| | March 31, 2014 (Unaudited) | December 31, 2013 |
|--|----------------------------------|----------------------|
| Assets | | |
| Current: | | |
| Cash and cash equivalents | \$11,249,931 | \$530,052 |
| Accounts receivable | 929,754 | 1,659,802 |
| Prepaid expenses | 97,469 | 109,960 |
| Deferred finance costs, net of accumulated amortization of \$31,926 and \$53,884 | 6,875 | 5,217 |
| Other current assets | 74,670 | 78,269 |
| Total current assets | 12,358,699 | 2,383,300 |
| Property and equipment, net | 189,517 | 156,482 |
| Software development costs | 568,875 | 362,346 |
| Security deposits | 50,816 | 46,574 |
| Total assets | \$13,167,907 | \$2,948,702 |
| Liabilities and Stockholders' Deficit | | |
| Current liabilities: | | |
| Accounts payable | \$807,508 | \$817,057 |
| Accrued expenses | 342,334 | 365,454 |
| Unearned revenue | 1,049,867 | 1,292,228 |
| Current portion of capital lease obligations | 59,783 | 43,852 |
| Total current liabilities | 2,259,492 | 2,518,591 |
| Capital lease obligations, less current portion | 47,076 | 34,013 |
| Deferred rent | 56,715 | 14,179 |
| Warrant liability | 14,079,560 | 1,832,945 |
| Total liabilities | 16,442,843 | 4,399,728 |
| Stockholders' deficit: | | |
| Series A convertible preferred stock; \$.0001 par value; 240 shares authorized; no shares issued and outstanding | — | — |
| Common stock, \$.0001 par value; 100,000,000 shares authorized; 56,946,381 and 22,560,653 issued and outstanding | 5,695 | 2,256 |
| Additional paid-in capital | 23,414,094 | 24,672,132 |
| Accumulated deficit | (26,694,725) | (26,125,414) |
| Total stockholders' deficit | (3,274,936) | (1,451,026) |
| Total liabilities and stockholders' deficit | \$13,167,907 | \$2,948,702 |

See accompanying notes to the unaudited consolidated financial statements.

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IZEA, Inc.
Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended | |
|--|--------------------|--------------|
| | March 31, | |
| | 2014 | 2013 |
| Revenue | \$ 1,957,040 | \$ 1,385,275 |
| Cost of sales | 649,533 | 576,102 |
| Gross profit | 1,307,507 | 809,173 |
| Operating expenses: | | |
| General and administrative | 1,844,140 | 1,574,592 |
| Sales and marketing | 160,867 | 94,169 |
| Total operating expenses | 2,005,007 | 1,668,761 |
| Loss from operations | (697,500) | (859,588) |
| Other income (expense): | | |
| Interest expense | (9,017) | (15,466) |
| Loss on exchange of warrants and debt | — | (732) |
| Change in fair value of derivatives and notes payable carried at fair value, net | 135,601 | (8,124) |
| Other income (expense), net | 1,605 | 80 |
| Total other income (expense) | 128,189 | (24,242) |
| Net loss | \$(569,311) | \$(883,830) |
| Weighted average common shares outstanding – basic and diluted | 37,135,738 | 6,811,654 |
| Loss per common share – basic and diluted | \$(0.02) | \$(0.13) |

See accompanying notes to the unaudited consolidated financial statements.

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IZEA, Inc.

Consolidated Statement of Stockholders' Deficit
(Unaudited)

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Total Stockholders' Deficit |
|---|--------------|---------|----------------------------------|------------------------|-----------------------------------|
| | Shares | Amount | | | |
| Balance, December 31, 2013 | 22,560,653 | \$2,256 | \$24,672,132 | \$(26,125,414) | \$(1,451,026) |
| Sale of common stock, net of offering costs | 34,285,728 | 3,429 | 10,978,740 | — | 10,982,169 |
| Fair value of warrants issued | — | — | (12,382,216) | — | (12,382,216) |
| Stock issued for payment of services | 100,000 | 10 | 30,100 | — | 30,110 |
| Stock-based compensation | — | — | 115,338 | — | 115,338 |
| Net loss | — | — | — | (569,311) | (569,311) |
| Balance, March 31, 2014 | 56,946,381 | \$5,695 | \$23,414,094 | \$(26,694,725) | \$(3,274,936) |

See accompanying notes to the unaudited consolidated financial statements.

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IZEA, Inc.

Consolidated Statements of Cash Flows
(Unaudited)

| | Three Months Ended | |
|--|--------------------|----------------|
| | March 31, | |
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Net loss | \$ (569,311) |) \$ (883,830) |
| Adjustments to reconcile net loss to net cash used for operating activities: | | |
| Depreciation | 17,867 | 12,579 |
| Amortization of intangible assets and loan costs | 5,842 | 8,985 |
| Stock-based compensation | 115,338 | 39,460 |
| Stock issued or to be issued for payment of services | 58,360 | 46,785 |
| Loss on exchange of warrants and debt | — | 732 |
| Change in fair value of derivatives and notes payable carried at fair value, net | (135,601) |) 8,124 |
| Cash provided by (used for): | | |
| Accounts receivable | 730,048 | (173,962) |
| Prepaid expenses and other current assets | 6,590 | 74,760 |
| Accounts payable | (9,549) |) 227,609 |
| Accrued expenses | (41,870) |) 59,024 |
| Unearned revenue | (242,361) |) (117,538) |
| Deferred rent | 42,536 | — |
| Net cash used for operating activities | (22,111) |) (697,272) |
| Cash flows from investing activities: | | |
| Purchase of equipment | (9,563) |) — |
| Increase in software development costs | (206,529) |) — |
| Security deposits | (4,242) |) 3,870 |
| Net cash provided by (used for) investing activities | (220,334) |) 3,870 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of notes payable, net | — | 169,798 |
| Proceeds from issuance of common stock and warrants, net | 10,982,169 | — |
| Payments on notes payable and capital leases | (19,845) |) (4,090) |
| Net cash provided by financing activities | 10,962,324 | 165,708 |
| Net increase (decrease) in cash and cash equivalents | 10,719,879 | (527,694) |
| Cash and cash equivalents, beginning of year | 530,052 | 657,946 |
| Cash and cash equivalents, end of period | \$ 11,249,931 | \$ 130,252 |
| Supplemental cash flow information: | | |
| Cash paid during period for interest | \$ 3,175 | \$ 1,856 |
| Non-cash financing and investing activities: | | |
| Fair value of compound embedded derivative in promissory notes | \$ — | \$ — |
| Fair value of common stock issued for future services | \$ — | \$ 47,220 |
| Fair value of warrants issued | \$ 12,382,216 | \$ 7,209 |
| Conversion of notes payable into common stock | \$ — | \$ 124,611 |

| | | |
|---|----------|-----|
| Acquisition of assets through capital lease | \$41,339 | \$— |
|---|----------|-----|

See accompanying notes to the unaudited consolidated financial statements.

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IZEA, Inc.
Notes to the Unaudited Consolidated Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Information

The accompanying consolidated balance sheet as of March 31, 2014, the consolidated statements of operations for the three months ended March 31, 2014 and 2013, the consolidated statement of stockholders' deficit for the three months ended March 31, 2014 and the consolidated statements of cash flows for the three months ended March 31, 2014 and 2013 are unaudited but include all adjustments that are, in the opinion of management, necessary for a fair presentation of our financial position at such dates and our results of operations and cash flows for the periods then ended in conformity with U.S. generally accepted accounting principles ("US GAAP"). The consolidated balance sheet as of December 31, 2013 has been derived from the audited consolidated financial statements at that date but, in accordance with the rules and regulations of the United States Securities and Exchange Commission ("SEC"), does not include all of the information and notes required by US GAAP for complete financial statements. Operating results for the three months ended March 31, 2014 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, 2013 included in the Company's Annual Report on Form 10-K filed with the SEC on March 25, 2014.

Nature of Business

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

The Company is a leading company in the social sponsorship space. The Company currently operates multiple online properties including its premiere platforms, SocialSpark and SponsoredTweets, as well as its legacy platform PayPerPost. In 2012, the Company launched a new platform called Staree and a display-advertising network to use within its platforms called IZEAMedia. Social sponsorship is when a company compensates a social media publisher or influencer such as a blogger or tweeter ("creators") to share sponsored content with their social network audience. This sponsored content is shared within the body of a content stream, a practice known as "native advertising." The Company generates its revenue primarily through the sale of sponsorship campaigns to its advertisers. The Company fulfills these campaigns through its platforms by utilizing its creators to complete sponsorship opportunities for its advertisers. The Company also generates revenue from the posting of targeted display advertising and from various service fees.

Principles of Consolidation

The consolidated financial statements include the accounts of IZEA, Inc. and its wholly owned subsidiary, IZEA Innovations, Inc. (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

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

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are customer obligations due under normal trade terms. Uncollectability of accounts receivable is not significant since most customers are bound by contract and are required to fund the Company for all the costs of an “opportunity,” defined as an order created by an advertiser for a creator to write about the advertiser’s product. If a portion of the account balance is deemed uncollectible, the Company will either write-off the amount owed or provide a reserve based on the uncollectible portion of the account. Management determines the collectability of accounts by regularly evaluating individual customer receivables and considering a customer’s financial condition, credit history and current economic conditions. The Company does not have a reserve for doubtful accounts as of March 31, 2014 and December 31, 2013. Management believes that this estimate is reasonable, but there can be no assurance that the estimate will not change as a result of a change in economic conditions or business conditions within the industry, the individual customers or the Company. Any adjustments to this account are reflected in the consolidated statements of operations as a general and administrative expense. Bad debt expense was less than 1% of revenue for the three months ended March 31, 2014 and 2013.

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

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 also controls credit risk through credit approvals, credit limits and monitoring procedures. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. At March 31, 2014, three customers accounted for 51% of total accounts receivable in the aggregate, each of which accounted for more than 10% of the Company's accounts receivable. At December 31, 2013, the Company had two customers which accounted for 23% of total accounts receivable in the aggregate. The Company had two customers that accounted for 22% of its revenue during the three months ended March 31, 2014. The Company had no customers that accounted for more than 10% of its revenue during the three months ended March 31, 2013.

Property and Equipment

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

| | |
|------------------------|--------------|
| Computer Equipment | 3 years |
| Office Equipment | 3 - 10 years |
| Furniture and fixtures | 5 - 10 years |
| Leasehold improvements | 5 years |

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

Software Development Costs

The Company is in the process of developing a new platform called the IZEA Exchange (IZEAx). IZEAx is designed to provide a unified ecosystem that enables the creation of multiple types of content including blog posts, status updates, videos and photos through a wide variety of social channels including blogs, Twitter, Facebook, Instagram, Tumblr and LinkedIn, among others. This platform will be utilized both internally and externally to facilitate native advertising campaigns on a greater scale. In accordance with ASC 350-40, Internal Use Software and ASC 985-730, Computer Software Research and Development, research phase costs should be expensed as incurred and development phase costs including direct materials and services, payroll and benefits and interest costs may be capitalized. The Company capitalized \$206,529 in payroll and benefit costs to software development costs in the consolidated balance sheet during the three months ended March 31, 2014. The Company determined that on April 15, 2013, the project became technologically feasible and the development phase began. On March 17, 2014, the Company launched a public beta of IZEA.com powered by IZEAx.

Revenue Recognition

The Company derives its revenue from three sources: revenue from an advertiser for the use of the Company's network of social media content creators to fulfill advertiser sponsor requests for a blog post, tweet, click or action ("Sponsored Revenue"), revenue from the posting of targeted display advertising ("Media Revenue") and revenue derived from various service fees charged to advertisers and creators ("Service Fee Revenue"). Sponsored revenue is recognized and considered earned after an advertiser's opportunity is posted on the Company's online platform and their request was completed and content listed, as applicable, by the Company's creators for a requisite period of time. The requisite period ranges from 3 days for an action or tweet to 30 days for a blog. Advertisers may prepay for services by placing a deposit in their account with the Company. The deposits are typically paid by the advertiser via check, wire transfer or credit card. Deposits are recorded as unearned revenue until earned as described above. Media Revenue is recognized and considered earned when the Company's creators place targeted display advertising in blogs. Service fees charged to advertisers are primarily related to inactivity fees for dormant accounts and fees for

additional services outside of sponsored revenue. Service fees charged to creators include upgrade account fees for obtaining greater visibility to advertisers in advertiser searches in our platforms, early cash-out fees if a creator wishes to take proceeds earned for services from their account when the account balance is below certain minimum balance thresholds and inactivity fees for dormant accounts. Service fees are recognized immediately when the maintenance or enhancement service is performed for an advertiser or creator. All of the Company's revenue is generated through the rendering of services and is recognized under the general guidelines of SAB Topic 13 A.1 which states that revenue will be recognized when it is realized or realizable and earned. The Company considers its revenue as generally realized or realizable and earned once (i) persuasive evidence of an arrangement exists, (ii) services have been rendered, (iii) the price to the advertiser or customer is fixed (required to be paid at a set amount that is not subject to refund or adjustment) and determinable, and (iv) collectability is reasonably assured. The Company records revenue on the gross amount earned since it generally is the primary obligor in the arrangement, establishes the pricing and determines the service specifications.

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

Advertising Costs

Advertising costs are charged to expense as they are incurred, including payments to contact creators to promote the Company. Advertising expense charged to operations for the three months ended March 31, 2014 and 2013 were approximately \$31,415 and \$25,000, respectively. Advertising costs are included in sales and marketing expense in the accompanying consolidated statements of operations.

Deferred Rent

The Company's operating lease for its office facilities contains predetermined fixed increases of the base rental rate during the lease term which was recognized as rental expense on a straight-line basis over the lease term which ends in April 2019, but is renewable for one additional year until April 2020. The Company records the difference between the amounts charged to operations and amounts payable under the lease as deferred rent in the accompanying consolidated balance sheets.

Income Taxes

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

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

Derivative Financial Instruments

Derivative financial instruments are defined as financial instruments or other contracts that contain a notional amount and one or more underlying (e.g., interest rate, security price or other variable), require no initial net investment and permit net settlement. Derivative financial instruments may be free-standing or embedded in other financial instruments. Further, derivative financial instruments are initially, and subsequently, measured at fair value and recorded as liabilities or, in rare instances, assets. The Company accounts for derivative instruments in accordance with ASC 815, Derivatives and Hedging ("ASC 815"), which requires additional disclosures about the Company's objectives and strategies for using derivative instruments, how the derivative instruments and related hedged items are accounted for, and how the derivative instruments and related hedging items affect the financial statements. The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risk. Terms of convertible debt and equity instruments are reviewed to determine whether or not they contain embedded derivative instruments that are required under ASC 815 to be accounted for separately from the host contract, and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in current period operating results. Pursuant to ASC 815, an evaluation of specifically identified conditions is made to determine whether the fair value of warrants issued is required to be classified as equity or as a derivative liability.

The Company records a beneficial conversion feature ("BCF") related to the issuance of convertible debt and equity instruments that have conversion features at fixed rates that are in-the-money when issued, and the fair value of warrants issued in connection with those instruments. The BCF for the convertible instruments is recognized and

measured by allocating a portion of the proceeds to warrants, based on their relative fair value, and as a reduction to the carrying amount of the convertible instrument equal to the intrinsic value of the conversion feature. The discounts recorded in connection with the BCF and warrant valuation are recognized (a) for convertible debt as interest expense over the term of the debt, using the effective interest method or (b) for preferred stock as dividends at the time the stock first becomes convertible.

Fair Value of Financial Instruments

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

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

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Notes to the Unaudited Consolidated Financial Statements

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 a warrant liability as of March 31, 2014 (see Note 3).

Significant unobservable inputs used in the fair value measurement of the warrants include the estimated term.

Significant increases (decreases) in the estimated remaining period to exercise would result in a significantly higher (lower) fair value measurement. In developing our credit risk assumption used in the fair value of warrants, consideration was made of publicly available bond rates and US Treasury Yields. However, since the Company does not have a formal credit-standing, management estimated 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). A significant increase (decrease) in the risk-adjusted interest rate could result in a significantly lower (higher) fair value measurement.

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

Certain convertible promissory notes are recorded at the fair value of the hybrid instrument as a whole and are recorded at their common stock equivalent value. Significant unobservable inputs used in the fair value of the hybrid instruments include the estimated number of common shares underlying the promissory notes and the fair value of the common stock to be issued upon conversion. Generally, an increase (decrease) in the estimated number of shares underlying the promissory notes or the fair value of the common stock to be issued upon conversion would result in a (higher) lower fair value measurement.

Stock-Based Compensation

Stock-based compensation cost related to stock options granted under the May 2011 Equity Incentive Plan and August 2011 B Equity Incentive Plan (together, the "2011 Equity Incentive Plans") (see Note 4) is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. The Company estimates the fair value of each option award on the date of grant using a Black-Scholes option-pricing model that uses the assumptions noted in the table below. The Company estimates the fair value of its common stock using the closing stock price of its common stock as quoted in the OTCQB marketplace on the date of the agreement. 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 months ended March 31, 2014 and 2013:

| 2011 Equity Incentive Plans Assumptions | Three Months Ended | |
|---|--------------------|-------------------|
| | March 31, 2014 | March 31, 2013 |
| Expected term | 5 years | 10 years |
| Weighted average volatility | 56.00% | 52.72% |

| | | |
|--|-------|-------|
| Weighted average risk free interest rate | 1.60% | 1.91% |
| 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 also impact the amount of unamortized compensation expense to be recognized in future periods. Average expected forfeiture rates were 14.42% and 50.21% during the three months ended March 31, 2014 and 2013.

Non-Employee Stock-Based Compensation

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

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

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 to additional paid-in capital. Stock-based compensation 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 operations are the basis on which management evaluates operations and makes business decisions.

Use of Estimates

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

Recent Accounting Pronouncements

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

Reclassifications

Certain items have been reclassified in the 2013 financial statements to conform to the 2014 presentation.

NOTE 2. NOTES PAYABLE

Convertible Notes Payable

\$550,000 Note Payable:

On February 3, 2012, the Company issued a senior secured promissory note in the principal amount of \$550,000 less an original issuance discount (OID) of \$50,000. The holders were permitted to convert the outstanding principal amount of the note at a conversion price of 90% of the closing price of the Company's common stock. Upon initial recording of the note, the Company determined that the embedded conversion option (ECO) required bifurcation from the host instrument and classification as a liability at fair value. The initial fair value of the ECO of \$12,151 was subsequently remeasured at fair value each reporting period. The OID was subject to amortization, through charges to interest expense, over the term to maturity or conversion using the effective interest method.

From October 2012 through December 2012, the holders of this promissory note converted \$437,850 of note value into 2,069,439 shares of common stock at an average conversion rate of \$.21 per share. On February 4, 2013, the Company satisfied all of its remaining obligations under this note when the noteholders converted the final balance owed of \$112,150 into 773,983 shares of common stock at an average conversion rate of \$.145 per share.

\$75,000 Notes Payable:

On May 4, 2012, the Company issued an unsecured 30-day promissory note to two of its existing shareholders in the principal amount of \$75,000. In June 2012, the note was extended until December 4, 2012 and the parties agreed that

the noteholders could convert the note at any time on or before the maturity date into shares of common stock at a conversion price equal to the lower of (i) \$5.00 per share or (ii) 90% of the then market price based on a volume weighted average price per share of the Company's common stock for the ten trading days prior to the conversion date. Upon initial recording of the note, the Company determined that the embedded conversion option (ECO) required bifurcation from the host instrument and classification as a liability at fair value. The initial fair value of the ECO of \$15,625 was subsequently remeasured at fair value each reporting period. The note bore interest at a rate of 8% per annum. The noteholders did not elect to convert this note and the Company was not able to pay the balance owed upon its maturity on December 4, 2012. Therefore, the conversion feature expired and the note was in default bearing interest at the default rate of 18% per annum. On August 15, 2013, the Company satisfied all of its remaining obligations under this note when the noteholders converted the \$75,000 in principal, plus \$12,366 of accrued interest, into 349,464 shares of

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

common stock and a like number of warrants on the same terms and conditions as other investors in its 2013 Private Placement discussed in Note 4.

Bridge Bank Credit Agreement

On March 1, 2013, the Company entered into a secured credit facility agreement with Bridge Bank, N.A. of San Jose, California. Pursuant to this agreement, the Company may submit requests for funding up to 80% of its eligible accounts receivable up to a maximum total outstanding advanced amount of \$1.5 million. This agreement is secured by the Company's accounts receivable and substantially all of the Company's other assets. The agreement requires the Company to pay an annual facility fee of \$7,500 (0.5% of the credit facility) and an annual due diligence fee of \$1,000. Interest accrues on the advances at the prime rate plus 2% per annum. The default rate of interest is prime plus 7%. If the agreement is terminated prior to March 1, 2014, then the Company will be required to pay a termination fee of \$18,750 (1% of the credit limit divided by 80%). As of March 31, 2014, the Company had no advances outstanding under this agreement. The Company incurred \$38,801 in costs related to this loan acquisition including the fair value of warrants issued of \$7,209. These costs have been capitalized in the Company's consolidated balance sheet as deferred finance costs and are being amortized to interest expense over one year.

During the three months ended March 31, 2014 and 2013, interest expense on all the notes amounted to \$0 and \$9,124, respectively. Direct finance costs allocated to the embedded derivatives were expensed in full upon issuance of the notes. Direct finance costs allocated to the notes are subject to amortization, through charges to interest expense, using the effective interest method. During the three months ended March 31, 2014 and 2013, interest expense related to the amortization of finance costs amounted to \$5,842 and \$4,485, respectively.

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS

The Company evaluates its convertible debt, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with paragraph 810-10-05-4 of the FASB Accounting Standards Codification and paragraph 815-40-25 of the FASB Accounting Standards Codification. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the Statement of Operations as other income or expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the balance sheet date.

Warrant Liability

2014 Activity:

On February 21, 2014, the Company issued five-year warrants to purchase 17,142,864 shares of the Company's common stock at an exercise price of \$0.35 per share and five-year warrants to purchase 17,142,864 shares of the Company's common stock at an exercise price of \$0.50 per share pursuant to the terms of the Securities Purchase Agreements signed in its 2014 Private Placement (See Note 4 for further details). As part of the transaction, the Company also issued a five-year warrant to purchase up to 750,511 shares of the Company's common stock at an exercise price of \$0.35 per share and a five-year warrant to purchase up to 750,511 shares of the Company' common

stock at an exercise price of \$0.50 per share to its exclusive placement agent.

The Company determined that these warrants require classification as a liability due to certain registration rights and listing requirements that required the Company to file a registration statement with the SEC for purposes of registering the resale of the shares underlying these warrants. Failure to register the shares could result in penalties and the triggering of certain cashless exercise provisions in the warrants. The warrants also require classification as a liability due to provisions for potential exercise price adjustments. The Company determined that the fair value of these warrants on their issuance date on February 21, 2014 was \$12,382,216. The fair value and outstanding derivative warrant liability related to these warrant shares as of March 31, 2014 was \$10,020,290. The Company filed a registration statement related to these shares on Form S-1 on April 7, 2014 which was declared effective by the SEC on May 14, 2014.

2013 Activity:

In February 2013, pursuant to a private transaction with a warrant holder, the Company redeemed a warrant to purchase 5,001 shares of common stock for the same number of shares without the Company receiving any further cash consideration. The redemption was treated as an exchange wherein the difference between the fair value of the newly issued common stock and the

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carrying value of the warrant received in the exchange was recognized as a loss on exchange of warrants in the amount of \$732 during the three months ended March 31, 2013.

From August 15, 2013 through September 23, 2013, the Company issued five-year warrants to purchase 7,118,236 shares of its common stock at an exercise price of \$0.25 per share and five-year warrants to purchase 7,118,236 shares of its common stock at an exercise price of \$0.50 per share pursuant to the terms of the Securities Purchase Agreements signed in its 2013 Private Placement (See Note 4 for further details). The Company determined that these warrants require classification as a liability due to certain registration rights in the agreements that required the Company to file a registration statement with the SEC for purposes of registering the resale of the shares underlying these warrants. The Company filed a registration statement on Form S-1 on October 16, 2013 which was declared effective by the SEC on November 8, 2013 for the registration of 174,732 of these warrant shares. The Company intends to seek registration on the remaining shares underlying the warrants during this fiscal year. The Company determined that the fair value of these warrants on their issuance date was \$2,344,899. The fair value and outstanding derivative warrant liability related to these warrant shares as of March 31, 2014 was \$4,050,800.

2012 Activity:

The Company determined that 110,000 warrant shares issued in its September 2012 public offering still require classification as a liability due to certain registration rights and listing requirements in the agreements. The fair value and outstanding derivative warrant liability related to these warrant shares as of March 31, 2014 was \$8,470.

2011 Activity:

The Company determined that 13,554 warrant shares remaining from its May 2011 Offering and 250 warrant shares issued in July 2011 for a customer list acquisition still require classification as a liability due to certain registration rights and listing requirements in the agreements. The fair value and outstanding derivative warrant liability related to these warrant shares as of March 31, 2014 was \$0.

During the three months ended March 31, 2014 and 2013, the Company recorded a gain of \$135,601 and a loss of \$7,480, respectively, due to the change in the fair value of its warrant liability.

The following table summarizes the Company's activity and fair value calculations of its derivative warrants for the three months ended March 31, 2014 and for the year ended December 31, 2013:

| | Linked Common Shares to Derivative Warrants | Warrant Liability | |
|---|---|----------------------|---|
| Balance, December 31, 2012 | 128,350 | \$2,750 | |
| Issuance of warrants to investors in 2013 Private Placement | 14,236,472 | 2,344,899 | |
| Exchange of warrants for common stock | (4,546 |)— | |
| Change in fair value of derivatives | — | (514,704 |) |
| Balance, December 31, 2013 | 14,360,276 | \$1,832,945 | |
| Issuance of warrants to investors in 2014 Private Placement | 35,786,750 | 12,382,216 | |
| Change in fair value of derivatives | — | (135,601 |) |
| Balance, March 31, 2014 | 50,147,026 | \$14,079,560 | |

The Company's warrants were valued on the applicable dates using a Binomial Lattice Option Valuation Technique ("Binomial"). Significant inputs into this technique as of August 15, 2013 - September 23, 2013, December 31, 2013, February 21, 2014 and March 31, 2014 are as follows:

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

| Binomial Assumptions | August 15, 2013 - September 23, 2013 | December 31, 2013 | February 21, 2014 | March 31, 2014 |
|---|---|-----------------------|----------------------|-----------------------|
| Fair market value of asset ⁽¹⁾ | \$0.28-\$0.37 | \$0.30 | \$0.58 | \$0.52 |
| Exercise price | \$0.25-\$0.50 | \$0.25-\$1.25 | \$0.35-\$0.50 | \$0.25-\$1.25 |
| Term ⁽²⁾ | 5.0 years | 3.7 years - 4.7 years | 5.0 years | 3.4 years - 4.9 years |
| Implied expected life ⁽³⁾ | 5.0 years | 3.7 years - 4.7 years | 5.0 years | 3.4 years - 4.9 years |
| Volatility range of inputs ⁽⁴⁾ | 48.46%--81.72% | 40.63%--78.73% | 60% | 40.69%--76.4% |
| Equivalent volatility ⁽³⁾ | 56.57%--57.55% | 55%--56% | 60% | 53%--55% |
| Risk-free interest rate range of inputs ⁽⁵⁾ | 0.04%--1.72% | 0.38%--1.75% | 1.56% | 0.90%--1.73% |
| Equivalent risk-free interest rate ⁽³⁾ | 0.56%--0.69% | 0.78%--1.75% | 1.56% | 0.90%--1.73% |

(1) The fair market value of the asset was determined by using the Company's closing stock price as reflected in the over-the-counter market.

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

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

(4) The Company does not have a market trading history upon which to base its forward-looking volatility. Accordingly, the Company selected peer companies that provided a reasonable basis upon which to calculate volatility for each of the intervals described in (2), above.

(5) The risk-free rates used for inputs represent the yields on zero coupon U.S. Government Securities with periods to maturity consistent with the intervals described in (2), above.

Compound Embedded Derivative

The Company concluded that the compound embedded derivative in its \$550,000 senior secured promissory note issued on February 3, 2012 and its \$75,000 convertible promissory note as modified on June 6, 2012 (see Note 2) required bifurcation and liability classification as derivative financial instruments because they were not considered indexed to the Company's own stock as defined in ASC 815, Derivatives and Hedging. The noteholders did not elect to convert the \$75,000 convertible promissory note prior its maturity date on December 4, 2012. Therefore, the conversion feature expired and no further derivative valuation is required. On February 4, 2013, the Company satisfied all of its remaining obligations under its \$550,000 senior secured promissory note when the noteholders converted the final balance owed of \$112,150 into 773,983 shares of common stock at an average conversion rate of \$.145 per share. The Company recorded the \$12,461 value of the compound embedded derivative on the conversion date as a charge to additional paid-in capital. As of February 4, 2013, all convertible notes in which the conversion feature had been bifurcated and recorded at fair value, had been converted in full. The Company recorded expense resulting from the change in the fair value of the compound embedded derivatives during the three months ended March 31, 2013 in the amount of \$644.

NOTE 4. STOCKHOLDERS' DEFICIT

Authorized Shares

On April 17, 2014, the Company filed a certificate of amendment to its articles of incorporation to increase the number of authorized shares of its common stock from 100,000,000 shares to 200,000,000 shares. The amendment was adopted by stockholders holding a majority of the Company's outstanding shares of common stock by written consent on April 16, 2014.

The Company also has authorized 10,000,000 shares of preferred stock with a par value of \$0.0001 of which no shares are outstanding as of March 31, 2014.

2014 Private Placement

On February 21, 2014, the Company completed a private placement pursuant to a Purchase Agreement dated as of February 12, 2014, for the issuance and sale of 34,285,728 shares of its common stock, at a purchase price of \$0.35 per share, for gross proceeds of \$12,000,000. As part of the private placement, the investors received warrants to purchase up to 17,142,864 shares of the Company's common stock at an exercise price of \$0.35 per share and warrants to purchase up to another 17,142,864 shares of the Company's common stock at an exercise price of \$0.50 per share. The warrants will expire on February 21, 2019, 5 years after the date on which they were issued.

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Notes to the Unaudited Consolidated Financial Statements

The net proceeds of \$10,982,169 from the private placement, following the payment of \$1,017,831 in offering-related expenses, are being used by the Company to focus on revenue growth through the acceleration of its sales and client relations activities and marketing initiatives, establishment of strategic partnerships and continuation of technology and engineering enhancements to its platforms, as well as to fund its working capital and capital expenditure requirements. At the closing of the private placement, the Company paid Craig-Hallum Capital Partners LLC, the exclusive placement agent for the private placement, cash compensation of \$814,850 and two five-year warrants, one warrant to purchase up to 750,511 shares of the Company's common stock at an exercise price of \$0.35 per share and another warrant to purchase up to 750,511 shares of the Company' common stock at an exercise price of \$0.50 per share.

The Company agreed, pursuant to the terms of a registration rights agreement with the investors, to (i) file a shelf registration statement with respect to the resale of the shares of its common stock sold to the investors and shares of its common stock issuable upon exercise of the warrants with the SEC within the sooner of 60 days after the closing date or 10 business days after the Company filed its annual report on Form 10-K for the year ended December 31, 2013; (ii) use its commercially reasonable best efforts to have the shelf registration statement declared effective by the SEC as soon as possible after the initial filing, and in any event no later than 90 days after the closing date (or 120 days in the event of a full review of the shelf registration statement by the SEC); and (iii) keep the shelf registration statement effective until all registrable securities may be sold pursuant to Rule 144 under the Securities Act of 1933, without the need for current public information or other restriction. If the Company is unable to comply with any of the above covenants, it will be required to pay liquidated damages to the investors in the amount of 1% of the investors' purchase price per month until such non-compliance is cured, with such liquidated damages payable in cash. If and to the extent the SEC imposes a registration cut-back on some or all of the shares to be included in the registration statement pursuant to Rule 415, no liquidated damages will apply to the cut-back shares until they can be registered.

2013 Private Placement

In accordance with a Private Placement Memorandum and Securities Purchase Agreement, from August 15, 2013 through September 23, 2013, the Company raised \$2,182,500 in cash through the sale of 8,730,000 shares of its common stock at a price of \$0.25 per share ("2013 Private Placement"). Additionally, the Company converted notes payable and accrued interest thereon totaling \$1,376,618 into 5,506,472 shares of its common stock at an effective price of \$0.25 per share. The Company also issued five-year warrants to purchase 7,118,236 shares of its common stock at an exercise price of \$0.25 per share and five-year warrants to purchase 7,118,236 shares of its common stock at an exercise price of \$0.50 per share. The net proceeds received from the 2013 Private Placement are being used for general working capital purposes.

Pursuant to the terms of the Securities Purchase Agreements issued in the 2013 Private Placement, the Company filed a registration statement on Form S-1 with the SEC on October 16, 2013 which was declared effective by the SEC on November 8, 2013 for the registration of 8,730,000 shares of issued common stock and 174,732 shares underlying the warrants. The Company intends to seek registration on the remaining shares underlying the warrants during this fiscal year.

Additional Warrant Transactions

During the three months ended March 31, 2013, pursuant to private transactions with warrant holders, the Company redeemed warrants to purchase 5,001 shares of common stock for the same number of shares without the Company receiving any further cash consideration. As a result of the exchange, the Company recognized a loss on the exchange of the warrants in the amount \$732 during the three months ended March 31, 2013.

On March 1, 2013, the Company entered into a \$1.5 million secured credit facility agreement with Bridge Bank, N.A. of San Jose, California. In connection with this agreement, the Company issued a warrant with an expiration date after 5 years to purchase up to 58,139 shares of common stock for \$15,000 (\$.258 per share). This warrant met the conditions for equity classification and the fair value of \$7,209, as determined using a binomial lattice option

valuation technique, was recorded in the Company's consolidated balance sheet as an increase in deferred finance costs and additional paid-in capital.

Stock Options

In May 2011, the board of directors adopted the 2011 Equity Incentive Plan of IZEA, Inc. (the "May 2011 Plan"). The May 2011 Plan allows the Company to provide options as an incentive for its employees and consultants. On April 16, 2014, upon consent from holders of a majority of the Company's outstanding voting capital stock, the Company increased the number of shares of common stock available for issuance under the May 2011 Plan from 11,613,715 to 20,000,000 shares. As of March 31, 2014, the Company had 3,646,713 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 for issuance an aggregate of 87,500 shares of common stock under the August 2011 Plan. As of March 31, 2014, the Company had no shares of common stock available for future grants under the August 2011 Plan.

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

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

A summary of option activity under the 2011 Equity Incentive Plans for the three months ended March 31, 2014 and the year ended December 31, 2013 is presented below:

| Options Outstanding | Common Shares | Weighted Average Exercise Price | Weighted Average Remaining Life (Years) |
|----------------------------------|---------------|---------------------------------|---|
| Outstanding at December 31, 2012 | 391,977 | \$5.87 | 4.3 |
| Granted | 8,620,062 | 0.26 | |
| Exercised | — | — | |
| Forfeited | (1,261,561) | 0.49 | |
| Outstanding at December 31, 2013 | 7,750,478 | \$0.51 | 8.1 |
| Granted | 330,000 | 0.48 | |
| Exercised | — | — | |
| Forfeited | (27,210) | 2.04 | |
| Outstanding at March 31, 2014 | 8,053,268 | \$0.50 | 7.8 |
| Exercisable at March 31, 2014 | 2,573,741 | \$0.70 | 8.4 |

During the three months ended March 31, 2014 and 2013, no options were exercised. The outstanding options have an aggregate intrinsic value of \$161,065 as of March 31, 2014. There is no aggregate intrinsic value on the exercisable options as of March 31, 2014 since the weighted average exercise price per share exceeded the fair value of \$0.52 on such date.

A summary of the nonvested stock option activity under the 2011 Equity Incentive Plans for the three months ended March 31, 2014 and the year ended December 31, 2013 is presented below:

| Nonvested Options | Common Shares | Weighted Average Grant Date Fair Value | Weighted Average Remaining Years to Vest |
|--------------------------------|---------------|--|--|
| Nonvested at December 31, 2012 | 308,627 | \$2.17 | 2.9 |
| Granted | 8,620,062 | 0.20 | |
| Vested | (1,871,201) | 0.36 | |
| Forfeited | (1,248,125) | 0.23 | |
| Nonvested at December 31, 2013 | 5,809,363 | \$0.24 | 3.3 |
| Granted | 330,000 | 0.24 | |
| Vested | (654,816) | 0.23 | |

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| | | | | |
|-----------------------------|-----------|---|--------|-----|
| Forfeited | (5,020 |) | 0.66 | |
| Nonvested at March 31, 2014 | 5,479,527 | | \$0.25 | 3.3 |

Stock-based compensation cost related to stock options granted under the 2011 Equity Incentive Plans is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. The Company estimates the fair value of each option award on the date of grant using a Black-Scholes option-pricing model that uses the assumptions stated in Note 1. Total stock-based compensation expense recognized on awards outstanding during the three months ended March 31, 2014 and 2013 was \$115,338 and \$39,460, respectively. Stock-based compensation expense is recorded as a general and administrative expense in the Company's consolidated statements of operations. Future compensation related to

IZEA, Inc.

Notes to the Unaudited Consolidated Financial Statements

nonvested awards expected to vest of \$1,267,693 is estimated to be recognized over the weighted-average vesting period of three years.

Restricted Stock Issued for Services

On January 3, 2013, the Company issued 60,000 shares of restricted stock valued at \$15,900 pursuant to a twelve-month compensation arrangement with Mitchel J. Laskey for his service as a director and Chairman of the Company's Board of Directors.

On January 3, 2013, the Company issued 20,000 shares of restricted stock valued at \$4,820 in order to pay for a small asset purchase.

Effective January 3, 2013, the Company entered into a twelve-month agreement to pay \$4,000 per month beginning January 2013 to a firm which would provide investor relations services. In accordance with the agreement, the Company issued 100,000 shares of restricted common stock valued at \$26,500 on January 15, 2013 and agreed to issue an additional 100,000 restricted shares on or before July 15, 2013. This agreement was mutually terminated on May 1, 2013 for no further cash consideration with the Company agreeing to issue the final installment of 100,000 shares of restricted common stock valued at \$25,000 upon the termination of the agreement.

On May 16, 2013, the Company issued 30,000 shares of restricted common stock valued at \$6,000 to settle an outstanding balance with a vendor.

On September 30, 2013, the Company entered into an agreement pursuant to which it issued 823,090 shares of restricted common stock, at an effective price of \$0.35 per share, to settle a \$288,081 balance owed for legal services.

Effective October 1, 2013, the Company entered into a six-month agreement to pay \$5,000 per month to a firm which would provide investor relations services. In accordance with the agreement, the Company also issued 50,000 shares of restricted common stock valued at \$19,000 on October 1, 2013, which is being amortized over the six month service period. \$9,500 of this value was recognized as general and administrative expense on the accompanying consolidated statement of operations for the twelve months ended December 31, 2013 and during the three months ended March 31, 2014.

The Company issued 85,661 shares of restricted common stock valued at \$25,000 to each Brian W. Brady and Dan R. Rua for their service as directors of the Company during the twelve months ended December 31, 2013.

Effective January 1, 2014, the Company entered into a one year agreement to pay \$7,500 per month and 100,000 shares of restricted stock per quarter to a firm to provide investor relations services. In accordance with the agreement, the Company issued 100,000 shares of restricted common stock valued at \$30,110 on January 1, 2014 and 100,000 shares of restricted common stock valued at \$52,000 on April 1, 2014.

The following tables contain summarized information about nonvested restricted stock outstanding during the three months ended March 31, 2014 and the year ended December 31, 2013:

| | |
|--------------------------------|---------------|
| Restricted Stock | Common Shares |
| Nonvested at December 31, 2012 | 48,582 |
| Granted | 1,354,412 |
| Vested | (1,402,994) |
| Forfeited | — |
| Nonvested at December 31, 2013 | — |
| Granted | 141,931 |

| | | |
|-----------------------------|----------|---|
| Vested | (141,931 |) |
| Forfeited | — | |
| Nonvested at March 31, 2014 | — | |

Total stock-based compensation expense recognized for vested restricted stock awards during the three months ended March 31, 2013 was \$46,785, of which \$8,125 is included in sales and marketing expense, \$38,660 is included in general and administrative expense. Total stock-based compensation expense recognized for vested restricted stock awards during the three months ended March 31, 2014 was \$58,360 and is included in general and administrative expense in the consolidated statements of operations. The fair value of the services is based on the value of the Company's common stock over the term of service. The fair value of the restricted stock issued during the three months ended March 31, 2013 was \$47,220 and the change in the fair value of the

IZEA, Inc.
Notes to the Unaudited Consolidated Financial Statements

issued but nonvested shares was \$28,914. The fair value of the restricted stock issued during the three months ended March 31, 2014 was \$30,110.

NOTE 5. LOSS PER COMMON SHARE

Net losses were reported during the three months ended March 31, 2014 and 2013. As such, the Company excluded the following items from the computation of diluted loss per common share as their effect would be anti-dilutive:

| | Three Months Ended | |
|--|--------------------|-------------------|
| | March 31, 2014 | March 31, 2013 |
| Stock options | 8,053,268 | 2,561,843 |
| Warrants | 54,392,749 | 182,027 |
| Restricted stock | 1,729,431 | 41,230 |
| Potential conversion of Series A convertible preferred stock | — | 3,788 |
| Total excluded shares | 64,175,448 | 2,788,888 |

NOTE 6. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2014, the Company incurred approximately \$75,000 in legal fees payable to Northwest Broadcasting, Inc. where Brian Brady, a director, is the President and Chief Executive Officer. The legal fees are included as part of the offering related expenses in the 2014 Private Placement.

NOTE 7. COMMITMENTS & CONTINGENCIES

From time to time, the Company may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may harm the Company's business. Other than as described below, the Company is currently not aware of any 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.

On October 17, 2012, Blue Calypso, Inc. filed a complaint against the Company in the U.S. District Court for the Eastern District of Texas. Blue Calypso's complaint alleges that the Company infringes on their patents related to peer-to-peer advertising between mobile communication devices and seeks unspecified damages. On July 19, 2013, Blue Calypso's case against the Company was consolidated, along with patent infringement cases against Yelp, Inc. and Foursquare Labs, Inc., into Blue Calypso, Inc. v. Groupon, Inc. for all pretrial purposes, including discovery and claim construction.

On December 16, 2013, the Patent Trial and Appeal Board's (PTAB) instituted a Covered Business Method Review (CBMR) for three of the five patents Blue Calypso asserts in its case against IZEA. In its decisions granting the CBMRs, the PTAB explained that several of Blue Calypso's asserted patents are likely invalid. In particular, the PTAB found it more likely than not that each of these three patents was invalid based on two independent grounds of anticipation, and one ground of obviousness. Additionally, the PTAB preliminarily found it more likely than not that many of the claims of one of Blue Calypso's patents were invalid due to a lack of written description. On January 17, 2014, the PTAB expanded its review to all five of Blue Calypso's assert patents. The PTAB's final decision regarding the asserted patents is expected by the end of this year. On January 16, 2014, the court granted a joint motion to stay

Blue Calypso's patent infringement case until the PTAB's review of Blue Calypso's asserted patents is complete. At this stage, the Company does not have an estimate of the likelihood or the amount of any potential exposure to us. The Company believes that there is no merit to this suit and continues to vigorously defend itself against Blue Calypso's allegations.

NOTE 8. SUBSEQUENT EVENTS

No material events have occurred since March 31, 2014 that require recognition or disclosure in the financial statements, except as follows:

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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 of Directors, adopted the IZEA, Inc. 2014 Employee Stock Purchase Plan (the "ESPP") and reserved 1,500,000 shares of the Company's common stock for issuance thereunder. Any employee regularly employed by our company for 90 days or more on a full-time or part-time basis (20 hours or more per week on a regular schedule) will be eligible to participate in the ESPP. The ESPP will operate in successive six month offering periods commencing at the beginning of each fiscal year half. Each eligible employee who has elected to participate may purchase up to 10% of their annual compensation in common stock not to exceed \$21,250 annually or 20,000 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 May 9, 2014, no shares have been issued under the ESPP.

On April 17, 2014, the Company filed a certificate of amendment to its articles of incorporation to increase the number of authorized shares of its common stock from 100,000,000 shares to 200,000,000 shares. The amendment was adopted by stockholders holding a majority of the Company's outstanding shares of common stock by written consent on April 16, 2014.

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

Special Note Regarding Forward-Looking Information

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

The safe harbor for forward-looking statements provided by Section 21E of the Securities Exchange Act of 1934 excludes issuers of “penny stock” (as defined in Rule 3a51-1 under the Securities Exchange Act of 1934). Our common stock currently falls within that definition. All forward-looking statements in this document are based on information currently available to us as of the date of this report, and we assume no obligation to update any forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Company History

IZEA, Inc., formerly known as IZEA Holdings, Inc., and before that Rapid Holdings, Inc., was incorporated in Nevada on March 22, 2010. On May 12, 2011, we completed a share exchange pursuant to which we acquired all of the capital stock of IZEA Innovations, Inc. (“IZEA”), which became our wholly owned subsidiary. IZEA was incorporated in the state of Florida in February 2006 and was later reincorporated in the state of Delaware in September 2006 and changed its name to IZEA, Inc. from PayPerPost, Inc. on November 2, 2007. In connection with the share exchange, we discontinued our former business and continued the social sponsorship business of IZEA as our sole line of business.

Company Overview

We are a leading company in the social sponsorship space. We currently operate multiple online properties including our premiere platforms, SocialSpark and SponsoredTweets, as well as our legacy platform PayPerPost. In 2012, we launched a new platform called Staree and a display-advertising network to use within our platforms called IZEA Media. On March 17, 2014, we launched a public beta of IZEA.com powered by The IZEA Exchange (IZEAx). IZEAx is designed to provide a unified ecosystem that enables the creation of multiple types of content including blog

posts, status updates, videos and photos through a wide variety of social channels including blogs, Twitter, Facebook, Instagram, Tumblr and LinkedIn, among others. Social sponsorship is when a company compensates a social media publisher or influencer such as a blogger or tweeter (our “creators”) to share sponsored content with their social network audience. This sponsored content is shared within the body of a content stream, a practice known as “native advertising.” We generate our revenue primarily through the sale of sponsorship campaigns to our advertisers. We fulfill these campaigns through our platforms by utilizing our creators to complete sponsorship opportunities for our advertisers. We also generate revenue from the posting of targeted display advertising and from various service fees. Our platforms take the existing concepts of product placement and endorsements commonly found in movies, television and radio and apply them to the social web. We democratize the sponsorship process, allowing everyone from college students and stay at home moms to celebrities the opportunity to monetize their content, creativity and influence in social media.

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We believe that we pioneered the concept of a marketplace for sponsorships on the social web in 2006 with the launch of PayPerPost and have focused on scaling our offerings ever since. We compensate bloggers, tweeters and other types of social media content creators to share information about companies, products, websites and events within their social media content streams. Advertisers benefit from buzz, traffic, awareness and sales, and creators earn cash compensation in exchange for their posts.

Results of Operations for the Three Months Ended March 31, 2014 Compared to the Three Months Ended March 31, 2013

| | Three Months Ended | | \$ Change | % Change | |
|--|--------------------|-------------------|--------------|----------|----|
| | March 31, 2014 | March 31, 2013 | | | |
| Revenue | \$1,957,040 | \$1,385,275 | \$571,765 | 41.3 | % |
| Cost of sales | 649,533 | 576,102 | 73,431 | 12.7 | % |
| Gross profit | 1,307,507 | 809,173 | 498,334 | 61.6 | % |
| Operating expenses: | | | | | |
| General and administrative | 1,844,140 | 1,574,592 | 269,548 | 17.1 | % |
| Sales and marketing | 160,867 | 94,169 | 66,698 | 70.8 | % |
| Total operating expenses | 2,005,007 | 1,668,761 | 336,246 | 20.1 | % |
| Loss from operations | (697,500 |) (859,588 |) 162,088 | 18.9 | % |
| Other income (expense): | | | | | |
| Interest expense | (9,017 |) (15,466 |) 6,449 | (41.7 |)% |
| Loss on exchange of warrants and debt | — | (732 |) 732 | (100.0 |)% |
| Change in fair value of derivatives and notes payable carried at fair value, net | 135,601 | (8,124 |) 143,725 | (1,769.1 |)% |
| Other income (expense), net | 1,605 | 80 | 1,525 | 1,906.3 | % |
| Total other income (expense) | 128,189 | (24,242 |) 152,431 | 628.8 | % |
| Net loss | \$ (569,311 |) \$ (883,830 |) \$ 314,519 | 35.6 | % |

Non-GAAP Financial Measures

To supplement our consolidated financial statements presented in accordance with generally accepted accounting principles in the United States, or GAAP, we consider certain financial measures that are not prepared in accordance with GAAP, including EBITDA. These non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP. These non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

We believe that EBITDA provides useful information to investors as it excludes transactions not related to the core cash operating business activities including non-cash transactions. We believe that excluding these transactions allows investors to meaningfully trend and analyze the performance of our core cash operations. All companies do not calculate EBITDA in the same manner, and EBITDA as presented by IZEA may not be comparable to EBITDA presented by other companies. IZEA defines Adjusted EBITDA as earnings or loss before interest, taxes, depreciation and amortization, non-cash stock related compensation, gain or loss on asset disposals or impairment and all other income and expense items such as loss on exchanges and changes in fair value of derivatives, if applicable.

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Reconciliation of Net Loss to Adjusted EBITDA:

| | Three Months Ended | |
|---|--------------------|-------------------|
| | March 31, 2014 | March 31, 2013 |
| Net loss | (569,311 |) (883,830 |
| Non-cash stock-based compensation | 115,338 | 39,460 |
| Non-cash stock issued for payment of services | 58,360 | 46,785 |
| Change in the fair value of derivatives | (135,601 |) 8,124 |
| Loss on exchange of warrants | — | 732 |
| Interest expense | 9,017 | 15,466 |
| Depreciation | 17,867 | 12,579 |
| Amortization of intangible assets | — | 4,500 |
| Adjusted EBITDA | \$ (504,330 |) \$ (756,184 |

Revenues

We derive revenue from three sources: revenue from an advertiser for the use of our network of social media content creators to fulfill advertiser sponsor requests for a blog post, tweet, click or action ("Sponsored Revenue"), revenue from the posting of targeted display advertising ("Media Revenue") and revenue derived from various service fees charged to advertisers and creators for services, maintenance and enhancement of their accounts ("Service Fee Revenue").

Revenues for the three months ended March 31, 2014 increased by \$571,765, or 41.3%, compared to the same period in 2013. The increase was attributable to a \$631,000 increase in our Sponsored Revenue, a \$1,000 decrease from Media Revenue and a \$58,000 decrease in Service Fee Revenue. In the three months ended March 31, 2014, Sponsored Revenue was 93%, Media Revenue was 3% and Service Fee Revenue was 4% of total revenue compared to Sponsored Revenue of 86%, Media Revenue of 4% and Service Fee Revenue of 10% of total revenue in the three months ended March 31, 2013. The increase in Sponsored Revenue was primarily attributable to our concentrated sales efforts toward larger IZEA managed campaigns rather than advertiser self-service campaigns and generating repeat business from existing customers. Service fees decreased in the three months ended March 31, 2014 due to less fees received from inactive self-service advertisers.

Our net bookings of \$1.7 million for the three months ended March 31, 2014 were approximately 5% higher than the net bookings of \$1.6 million for the three months ended March 31, 2013. Net bookings is a measure of sales and contracts minus any cancellations or refunds in a given period. Management uses net bookings as a leading indicator of future revenue recognition as revenue is typically recognized within 90 days of booking. We experienced higher bookings as a result of new customers, larger IZEA managed campaigns and an increase in repeat clients. We are expecting an increase in net bookings for the second quarter of 2014 as compared to the first quarter of 2014 and the prior year quarter. April 2014 net bookings were nearly \$1 million for the month, up 230% from April 2013.

Cost of Sales and Gross Profit

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

Cost of sales for the three months ended March 31, 2014 increased by \$73,431, or 12.7%, compared to the same period in 2013. Cost of sales increased as a direct result of the increase in our Sponsored Revenue and the direct creator costs to generate such revenue.

Gross profit for the three months ended March 31, 2014 increased by \$498,334, or 61.6%, compared to the same period in 2013. Additionally, our gross profit as a percentage of revenue increased by nine percentage points from 58% for the three months ended March 31, 2013 to 67% for the same period in 2014. The gross profit increase during the three months ended March 31, 2014 compared to 2013 is primarily attributable to an increase in larger advertisers using our managed campaign services, where we manage all aspects of their sponsored social advertising, as compared to smaller or self-service advertisers who manage their own campaigns using our platforms.

Operating Expenses

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Operating expenses consist of general and administrative, and sales and marketing expenses. Total operating expenses for the three months ended March 31, 2014 increased by \$336,246, or 20.1%, compared to the same period in 2013. The increase was primarily attributable to higher stock compensation and investor relations expenses, along with higher travel and promotional marketing expenses for our new platform.

General and administrative expenses consist primarily of payroll, general operating costs, public company costs, facilities costs, insurance, depreciation, professional fees, and investor relations fees. General and administrative expenses for the three months ended March 31, 2014 increased by \$269,548, or 17.1%, compared to the same period in 2013. The increase was primarily attributable to an increase in software and subscription costs of approximately \$70,000 as a result of increased personnel and additional systems used to manage our growing business; an increase in non-cash stock compensation expense of approximately \$76,000 due to several large option grants in the third quarter of 2013 that are vesting in the current year; an increase in investor relations expenses of approximately \$63,000 due to the retainer of several investor relation firms to help further promote our Company in the current year; and a \$56,000 increase in travel costs related to the launch tour of our new software platform discussed below. During the three months ended March 31, 2014, payroll costs would have been even higher than in the comparable prior year period due to more development activity, but we capitalized \$206,529 in payroll and benefit costs to software development costs during the period. From April 2013 through the first quarter of 2014, we were developing a new platform called the IZEA Exchange (IZEAx). This platform will be utilized both internally and externally to facilitate native advertising campaigns on a greater scale. We have filed a patent application covering important features of this platform which is currently pending approval. On March 17, 2014, we launched a public beta of IZEA.com powered by IZEAx.

Sales and marketing expenses consist primarily of compensation for sales and marketing and related support resources, sales commissions and trade show expenses. Sales and marketing expenses for the three months ended March 31, 2014 increased by \$66,698 or 70.8%, compared to the same period in 2013. The increase was primarily attributable to increased promotional expenses related to the launch of IZEAx.

Other Income (Expense)

Other income (expense) consists primarily of interest expense, a loss on exchange of warrants and debt and the change in the fair value of derivatives and notes payable carried at fair value.

Interest expense during the three months ended March 31, 2014 decreased by \$6,449 compared to the same period in 2013 primarily due to lower debt balances in 2014 after all debt was converted into equity pursuant to the terms of their agreement or by separate agreement in our August 2013 Private Placement. The carrying value and the direct finance costs on the notes were subject to amortization, through charges to interest expense, over their terms to maturity using the effective interest method.

During the three months ended March 31, 2013, we recognized a \$732 loss on exchange when we redeemed certain warrants to purchase an aggregate of 4,546 shares of common stock for the same number of shares of our common stock without receiving any cash consideration for the exchange.

During the current periods and in prior periods, we entered into financing transactions that gave rise to derivative liabilities. These financial instruments are carried as derivative liabilities, at fair value, in our financial statements. Changes in the fair value of derivative financial instruments are required to be recorded in other income (expense) in the period of change. We recorded a income of \$135,601 and a loss of \$7,480, resulting from the increase in the fair value of certain warrants during the three months ended March 31, 2014 and 2013, respectively. Additionally, we recorded expense resulting from the increase in the fair value of the compound embedded derivatives during the three

months ended March 31, 2013 in the amount of \$644. The net effect of these changes in fair values resulted in income of \$135,601 and expense of \$8,124 during the three months ended March 31, 2014 and 2013, respectively. We have no control over the amount of change in the fair value of our derivative instruments as this is a factor based on fluctuating interest rates and stock prices and other market conditions outside of our control.

Net Loss

Net loss for the three months ended March 31, 2014 was \$569,311, which decreased from the net loss of \$883,830 for the same period in 2013. The increase in the net loss is primarily the result of the non-cash loss due to the change in fair value of derivative financial instruments offset by our 61.6% increase in gross profit as discussed above.

Liquidity and Capital Resources

Our cash position was \$11,249,931 as of March 31, 2014 as compared to \$530,052 as of December 31, 2013, an increase of \$10,719,879 primarily as a result of proceeds received from a private placement we completed in February 2014. We have incurred significant net losses and negative cash flow from operations since our inception. We incurred net losses of \$569,311 and \$3,321,992 for the three months ended March 31, 2014 and the year ended December 31, 2013, respectively, and had an accumulated deficit of \$26,694,725 as of March 31, 2014.

Cash used for operating activities was \$22,111 during the three months ended March 31, 2014 and was primarily a result of our loss during the period of \$569,311 offset net accounts receivable collections of \$730,048. Cash used for investing activities was \$220,334 during the three months ended March 31, 2014 due primarily to the capitalization of software development costs for IZEAx that launched in March 2014. Cash provided by financing activities was \$10,962,324 during the three months ended March 31, 2014 was primarily a result of net proceeds of \$10,982,169 from the sale of our common stock, as further discussed below. Financing activities were reduced by principal payments of \$19,845 on our capital leases.

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

On February 21, 2014, we completed a private placement pursuant to a Purchase Agreement dated as of February 12, 2014, for the issuance and sale of 34,285,728 shares of our common stock, at a purchase price of \$0.35 per share for gross proceeds of \$12,000,000 (the "2014 Private Placement"). As part of the private placement, the investors received warrants to purchase up to 17,142,864 shares of our common stock at an exercise price of \$0.35 per share and warrants to purchase up to another 17,142,864 shares of our common stock at an exercise price of \$0.50 per share. The warrants will expire on February 21, 2019, five years after the date on which they were issued. The net proceeds from the private placement, following the payment of offering-related expenses, are being used by us to focus on revenue growth through the acceleration of our sales and client relations activities and marketing initiatives, establishment of strategic partnerships and continuation of technology and engineering enhancements to our platforms, as well as to fund our working capital and capital expenditure requirements.

The effect of the above transactions has provided us with a positive working capital balance and enough cash reserves for the foreseeable future.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Use of Estimates

The preparation of the accompanying financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in the accompanying financial statements and the accompanying notes. The preparation of these financial statements requires managements to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. When making these estimates and assumptions, we consider our historical experience, our knowledge of economic and market factors and various other factors that we believe to be reasonable under the

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circumstances. Actual results could differ from these estimates. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of the financial statements.

Accounts receivable are customer obligations due under normal trade terms. Uncollectability of accounts receivable is not significant since most customers are bound by contract and are required to fund us for all the costs of an “opportunity,” defined as an order created by an advertiser for a creator to write about the advertiser’s product. If a portion of the account balance is deemed uncollectible, we will either write-off the amount owed or provide a reserve based on the uncollectible portion of the account. Management determines the collectability of accounts by regularly evaluating individual customer receivables and considering a customer’s financial condition, credit history and current economic conditions. We do not have a reserve for doubtful accounts as of March 31, 2014. 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 months ended March 31, 2014 and 2013.

We derive revenue from three sources: revenue from an advertiser for the use of the our network of social media content creators to fulfill advertiser sponsor requests for a blog post, tweet, click or action (“Sponsored Revenue”), revenue from the posting of targeted display advertising (“Media Revenue”) and revenue derived from various service fees charged to advertisers and creators (“Service Fee Revenue”). Sponsored revenue is recognized and considered earned after an advertiser’s opportunity is posted on our online platform and their request was completed and content listed, as applicable, by our creators for a requisite period of time. The requisite period ranges from 3 days for an action or tweet to 30 days for a blog. Advertisers may prepay for services by placing a deposit in their account with us. The deposits are typically paid by the advertiser via check, wire transfer or credit card. Deposits are recorded as unearned revenue until earned as described above. Media Revenue is recognized and considered earned when our creators place targeted display advertising in blogs. Service fees are recognized immediately when the maintenance, enhancement or other service is performed for an advertiser or creator. Service fees charged to advertisers are primarily related to inactivity fees for dormant accounts and fees for additional services outside of sponsored revenue. Service fees charged to creators include upgrade account fees for obtaining greater visibility to advertisers in advertiser searches in our platforms, early cash-out fees if a creator wishes to take proceeds earned for services from their account when the account balance is below certain minimum balance thresholds and inactivity fees for dormant accounts. All of our revenue is generated through the rendering of services and is recognized under the general guidelines of SAB Topic 13 A.1 which states that revenue will be recognized when it is realized or realizable and earned. We consider our revenue as generally realized or realizable and earned once (i) persuasive evidence of an arrangement exists, (ii) services have been rendered, (iii) our price to the advertiser or customer is fixed (required to be paid at a set amount that is not subject to refund or adjustment) and determinable, and (iv) collectability is reasonably assured. We record revenue on the gross amount earned since we generally are the primary obligor in the arrangement, establish the pricing and determine the service specifications.

Stock-based compensation is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee’s requisite service period. We estimate the fair value of each stock option as of the date of grant using the Black-Scholes pricing model. Options 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 as quoted in the OTCQB marketplace on the date of the agreement. 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. Changes also impact the amount of unamortized compensation expense to be recognized in future periods.

The following table shows the number of options granted under our May 2011 and August 2011 Equity Incentive Plans and the assumptions used to determine the fair value of those options during the quarterly periods in 2013 and through March 31, 2014:

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2011 Equity Incentive Plans - Options Granted

| Period Ended | Total Options Granted | Weighted Average Fair Value of Common Stock | Weighted Average Expected Term | Weighted Average Volatility | Weighted Average Risk Free Interest Rate | Weighted Average Fair Value of Options Granted |
|--------------------|-----------------------|---|--------------------------------|-----------------------------|--|--|
| March 31, 2013 | 2,170,834 | \$0.25 | 10 years | 52.72% | 1.91% | \$0.16 |
| June 30, 2013 | 975,250 | \$0.25 | 6 years | 51.84% | 0.91% | \$0.12 |
| September 30, 2013 | 4,493,978 | \$0.35 | 10 years | 51.72% | 2.74% | \$0.24 |
| December 31, 2013 | 980,000 | \$0.34 | 5 years | 47.55% | 1.37% | \$0.14 |
| March 31, 2014 | 330,000 | \$0.48 | 5 years | 56.00% | 1.60% | \$0.24 |

There were 8,053,268 total options outstanding with a weighted average exercise price of \$0.50 per share and 2,573,741 exercisable options outstanding with a weighted average exercise price of \$0.70 per share as of March 31, 2014. There is no aggregate intrinsic value on the exercisable, outstanding options as of March 31, 2014 since the weighted average exercise price per share exceeded the market price of \$0.52 of our common stock on such date.

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

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

Recent Accounting Pronouncements

There are several new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") which are not yet effective. Management does not believe any of these accounting pronouncements will have a material impact on our financial position or operating results.

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 “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’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

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is accumulated and communicated to our management, including our principal executive and 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 period ended March 31, 2014, an evaluation was performed under the supervision and with the participation of the Company's management including our Chief Executive Officer ("CEO") and Principal Financial and Accounting Officer ("PFO"), who are the same person, 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 March 31, 2014. Based on this evaluation, our management concluded that our disclosure controls and procedures were effective as of March 31, 2014 to provide reasonable assurance that the information required to be disclosed by us in reports or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to management, including the Company's principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Company's transactions;
- (ii) provide reasonable assurance that transactions are recorded as necessary for the preparation of our financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of any unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect financial statement misstatements. Also, projections of any evaluation of internal control effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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 March 31, 2014 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

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Other than as described below, we are currently not aware of any legal proceedings or claims that we believe would or could have, individually or in the aggregate, a material adverse effect on us.

On October 17, 2012, Blue Calypso, Inc. filed a complaint against us in the U.S. District Court for the Eastern District of Texas. Blue Calypso's complaint alleges that we infringe on their patents related to peer-to-peer advertising between mobile communication devices and seeks unspecified damages. On July 19, 2013, Blue Calypso's case against us was consolidated, along with patent infringement cases against Yelp, Inc. and Foursquare Labs, Inc., into Blue Calypso, Inc. v. Groupon, Inc. for all pretrial purposes, including discovery and claim construction.

On December 16, 2013, the Patent Trial and Appeal Board's (PTAB) instituted a Covered Business Method Review (CBMR) for three of the five patents Blue Calypso asserts in its case against IZEA. In its decisions granting the CBMRs, the PTAB explained that several of Blue Calypso's asserted patents are likely invalid. In particular, the PTAB found it more likely than not that each of these three patents was invalid based on two independent grounds of anticipation, and one ground of obviousness. Additionally, the PTAB preliminarily found it more likely than not that many of the claims of one of Blue Calypso's patents were invalid due to a lack of written description. On January 17, 2014, the PTAB expanded its review to all five of Blue Calypso's assert patents. The PTAB's final decision regarding the asserted patents is expected by the end of this year. On January 16, 2014, the court granted a joint motion to stay Blue Calypso's patent infringement case until the PTAB's review of Blue Calypso's asserted patents is complete.

At this stage, we do not have an estimate of the likelihood or the amount of any potential exposure to us. We believe that there is no merit to this suit and continue to vigorously defend ourselves against Blue Calypso's allegations.

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, 2013, information at the beginning of Management's Discussion and Analysis entitled "Special Note Regarding Forward-Looking Information" and updates noted below, investors 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.

Risks Related to our Business and Industry

We have a history of losses, expect future losses and cannot assure you that we will achieve profitability or obtain the financing necessary for future growth.

We have incurred significant net losses and negative cash flow from operations since our inception. We incurred net losses of \$569,311 and \$3,321,992 for the three months ended March 31, 2014 and the year ended December 31, 2013, respectively, and had an accumulated deficit of \$26,694,725 as of March 31, 2014. Although our revenue has

increased since inception, we have not achieved profitability and cannot be certain that we will be able to sustain these growth rates or realize sufficient revenue to achieve profitability. If we achieve profitability, we may not be able to sustain it.

We are developing a new platform to process all of our existing business transactions and grow our operations, but cannot provide any assurance regarding its success.

We are developing a new platform called the IZEA Exchange (IZEAx) which is currently in public beta. IZEAx is designed to provide a unified ecosystem that enables the creation of multiple types of content through a wide variety of social channels. IZEAx is a brand-new system, engineered from the ground-up to replace all of our current platforms with an integrated offering that is improved and more efficient for the company to operate. Our intention is to focus all of our engineering resources on the IZEAx platform for the foreseeable future. We are spending a significant amount of time and resources on the development of this platform, but we cannot provide any assurances of its short or long-term success or

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growth. A portion of the proceeds of our 2014 Private Placement is being used for completion of the IZEAx platform, which is scheduled for continued updates during the next two years. There is no assurance that the amount of money being allocated for the platform will be sufficient to complete it, or that such completion will result in significant revenues or profit for us. If our advertisers and creators do not perceive this platform to be of high value and quality, we may not be able to retain them or acquire new advertisers and creators. Additionally, if existing or future competitors develop or offer products or services that provide significant performance, price, creative or other advantages over this platform, demand for IZEAx may decrease and our business, prospects, results of operations and financial condition could be negatively affected.

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

As of May 9, 2014, we have 57,046,381 shares of common stock issued, outstanding stock options to purchase 8,117,879 shares of common stock at an average price of \$0.50 per share, outstanding warrants to purchase 54,392,749 shares of common stock at an average price of \$0.40 per share, and 1,741,224 shares of vested, yet unissued, shares of restricted common stock. Additionally, we have reserved shares to issue stock options, restricted stock or other awards to purchase or receive up to 11,968,387 shares of common stock under our May 2011 Equity Incentive Plan. In the future, we may grant additional stock options, warrants and convertible securities. The exercise, conversion or exchange of stock options, warrants or convertible securities will dilute the percentage ownership of our other stockholders. Sales of a substantial number of shares of our common stock could cause the price of our common stock to fall and could impair our ability to raise capital by selling additional securities.

There may be substantial sales of our common stock under the prospectus relating to our 2014 Private Placement, which could cause our stock price to drop.

We agreed with the investors in our 2014 Private Placement to file a shelf registration statement with the SEC with respect to the resale of all of the shares of our common stock, as well as shares of common stock issuable upon the exercise of warrants, purchased by investors. We filed a registration statement on Form S-1 on April 7, 2014. The registration statement includes a total of 68,571,456 shares of our common stock (of which 34,285,728 shares are presently outstanding and 34,285,728 shares are issuable upon the exercise of warrants). There are currently no agreements or understandings in place with these selling stockholders to restrict their sale of those shares after the effective date of the registration statement. Sales of a substantial number of shares of our common stock by the selling stockholders at such time could cause the market price of our common stock to drop and could impair our ability to raise capital in the future by selling additional securities.

Holders of warrants issued in our 2014 Private Placement have anti-dilution adjustment rights that, if triggered, could dilute the ownership interests of our existing common stockholders.

Holders of our warrants to purchase 17,893,375 shares of common stock at an exercise price of \$0.35 per share and warrants to purchase 17,893,375 shares at an exercise price of \$0.50 per share issued in our 2014 Private Placement have anti-dilution adjustment rights that, if triggered, could dilute the interests of our common stockholders. The warrants contain weighted average anti-dilution protection for warrant holders if we sell another equity or equity-linked security at a price per share lower than the initial respective exercise prices during the five-year term of the warrants. Additionally, the warrants do not contain a negotiated floor for the exercise price. As compared with a full ratchet anti-dilution provision, which resets the exercise price at the lowest price in any subsequent sale of stock, a weighted average anti-dilution provision takes into account both the lower price and the number of shares issued at the lower price. The triggering of these anti-dilution provisions could result in the issuance of a substantial number of additional shares of common stock upon exercise of the warrants, which would dilute the ownership interests of our existing common stockholders.

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

On February 21, 2014, we completed a private placement pursuant to a Purchase Agreement dated as of February 12, 2014, for the issuance and sale of 34,285,728 shares of our common stock, at a purchase price of \$0.35 per share, to a number of institutional and other accredited investors, for gross proceeds of \$12,000,000 (the "2014 Private Placement"). As part of the private placement, the investors received warrants to purchase up to 17,142,864 shares of our common stock at an exercise price of \$0.35 per share and warrants to purchase up to another 17,142,864 shares of our common stock at an exercise price of \$0.50 per share. The warrants will expire on February 21, 2019, five years after the date on which they were issued. At the closing of the private placement, we paid Craig-Hallum Capital Partners LLC, the exclusive placement agent for the private placement, cash compensation of \$814,850 and two five-year warrants - one warrant to purchase up to 750,511 shares of our

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common stock at an exercise price of \$0.35 per share and another warrant to purchase up to 750,511 shares of our common stock at an exercise price of \$0.50 per share.

The issuance of the shares of common stock and other securities in the transactions described above were not registered under the Securities Act of 1933, as amended (the “Securities Act”), in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act and Regulation D promulgated thereunder. These securities may not be offered or sold in the United States in the absence of an effective registration statement or exemption from the registration requirements under the Securities Act.

Issuance of Common Stock for Services

Effective October 1, 2013, we entered into a six-month agreement to pay \$5,000 per month to a firm which would provide investor relations services. In accordance with the agreement, we also issued 50,000 shares of restricted common stock valued at \$19,000 on October 1, 2013. The value of the shares was expensed equally over the term of the agreement.

Effective January 1, 2014, we entered into a one-year agreement to pay \$7,500 per month and 100,000 shares of restricted stock per quarter to a firm to provide investor relations services. In accordance with the agreement, we issued 100,000 shares of restricted common stock valued at \$30,110 on January 1, 2014 and 100,000 shares of restricted common stock valued at \$52,000 on April 1, 2014. This agreement may be canceled at any time, by either party, upon written notice.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable

ITEM 5 - OTHER INFORMATION

None

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EXHIBITS

- 3.1 Articles of Incorporation (Incorporated by reference to the Company's registration statement on Form S-1 filed with the SEC on July 2, 2010).
- 3.2 Certificate of Amendment to the Articles of Incorporation (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on February 15, 2013).
- 3.3 Certificate of Amendment to the Articles of Incorporation (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on May 16, 2011).
- 3.4 Bylaws (Incorporated by reference to the Company's registration statement on Form S-1 filed with the SEC on July 2, 2010).
- 3.5 Certificate of Designation (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on May 27, 2011).
- 3.6 Amendment to Certificate of Designation (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on May 27, 2011).
- 3.7 Certificate of Change of IZEA, Inc., filed with the Nevada Secretary of State on July 30, 2012 (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on August 1, 2012).
- 3.8 Certificate of Amendment to Articles of Incorporation filed with the Secretary of State of the State of Nevada on April 17, 2014 (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on April 18, 2014).
- 4.1 Form of Warrant to Purchase Common Stock of IZEA, Inc. issued to Investors in the 2013 Private Placement (Incorporated by reference to Form 8-K, filed with the SEC on August 21, 2013).
- 4.2 Form of Warrant to Purchase Common Stock of IZEA, Inc. issued to Investors in the 2014 Private Placement (Incorporated by reference to Form 8-K, filed with the SEC on February 24, 2014).
- 10.1 Agreement between the Company and Mitchel Laskey, dated December 26, 2012 (Incorporated by reference to Form 10-K, filed with the SEC on March 29, 2013).
- 10.2 Amended 2011 Equity Incentive Plan as of February 6, 2013 (Incorporated by reference to Form 10-K, filed with the SEC on March 29, 2013).
- 10.3 Financing Agreement between the Company and Bridge Bank, dated March 1, 2013 (Incorporated by reference to Form 10-K, filed with the SEC on March 29, 2013).
- 10.4 Loan Agreement and Promissory Note between IZEA, Inc. and Brian W. Brady dated April 11, 2013 (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on April 16, 2013).
- 10.5 Loan Agreement and Promissory Note between IZEA, Inc. and Brian W. Brady dated May 22, 2013 (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on May 28, 2013).
- 10.6 Loan Extension between IZEA, Inc. and Brian W. Brady dated May 31, 2013 (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on June 3, 2013).
- 10.7 Loan Agreement and Promissory Note between IZEA, Inc. and Brian W. Brady dated June 7, 2013 (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on June 21, 2013).
- 10.8 Loan Agreement and Promissory Note between IZEA, Inc. and Brian W. Brady dated June 14, 2013 (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on June 21, 2013).
- 10.9 Loan Agreement and Promissory Note between IZEA, Inc. and Brian W. Brady dated July 25, 2013 (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on July 30, 2013).
- 10.10 Loan Agreement and Promissory Note between IZEA, Inc. and Brian W. Brady dated August 12, 2013 (Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the SEC on

August 14, 2013).

- 10.11 Form of Securities Purchase Agreement executed by IZEA, Inc. and Investors in the 2013 Private Placement (Incorporated by reference to Form 8-K, filed with the SEC on August 21, 2013).
- 10.12 Form of Securities Purchase Agreement, dated as of February 12, 2014, by and among IZEA, Inc. and the Investors (Incorporated by reference to Form 8-K, filed with the SEC on February 19, 2014).
- 10.13 Form of Registration Rights Agreement, dated as of February 21, 2014, among IZEA, Inc. and each of the Investors (Incorporated by reference to Form 8-K, filed with the SEC on February 24, 2014).
- 10.14 Amended and Restated 2011 Equity Incentive Plan as of April 16, 2014 (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on April 18, 2014).

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| 10.15 | 2014 Employee Stock Purchase Plan (Incorporated by reference to the Company's current report on Form 8-K filed with the SEC on April 18, 2014). |
| 21.1 | List of Subsidiaries (Incorporated by reference to the Company's Annual Report on Form 10-K filed with the SEC on March 25, 2014). |
| 101 | ** The following materials from IZEA, Inc.'s Quarterly Report on Form 10-Q for the three months ended March 31, 2014 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Stockholders' Deficit, (iv) the Consolidated Statements of Cash Flow, and (iv) Notes to the Consolidated Financial Statements. |

*Filed herewith.

In accordance with 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 the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IZEA, Inc.
a Nevada corporation

May 15, 2014

By: /s/ Edward H. Murphy
Edward H. Murphy
Chairman, President and Chief Executive Officer
(Principal Executive Officer and Principal Financial and Accounting
Officer)