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, 2019

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

For the transition period from _____ to _____

Commission File No.: 001-37703

IZEA WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

Nevada	**37-1530765**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
480 N. Orlando Avenue, Suite 200 Winter Park, FL	**32789**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	**IZEA**	**The Nasdaq Capital Market**

As of May 10, 2019, there were 27,143,735 shares of our common stock outstanding.

Quarterly Report on Form 10-Q for the period ended March 31, 2019

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

IZEA Worldwide, Inc.
Unaudited Consolidated Balance Sheets

	March 31, 2019	December 31, 2018
Assets		
Current:		
Cash and cash equivalents	$ 2,315,186	$ 1,968,403
Accounts receivable, net	6,066,161	7,071,815
Prepaid expenses	367,181	527,968
Other current assets	27,396	39,203
Total current assets	8,775,924	9,607,389
Property and equipment, net	236,145	272,239
Right of use asset	340,370	—
Goodwill	8,316,722	8,316,722
Intangible assets, net	2,827,042	3,149,949
Software development costs, net	1,700,551	1,428,604
Security deposits	140,188	143,174
Total assets	$ 22,336,942	$ 22,918,077
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,249,003	$ 2,618,103
Accrued expenses	2,556,717	1,968,589
Contract liabilities	5,464,843	4,957,869
Line of credit	1,336,247	1,526,288
Right of use liability	324,764	—
Deferred rent	—	17,420
Acquisition costs payable	3,794,605	4,611,493
Total current liabilities	15,726,179	15,699,762
Commitments and Contingencies (Note 6)	—	—
Stockholders' equity:		
Preferred stock; $.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $.0001 par value; 200,000,000 shares authorized; 12,812,108 and 12,075,708, respectively, issued and outstanding	1,281	1,208
Additional paid-in capital	61,534,711	60,311,756
Accumulated deficit	(54,925,229)	(53,094,649)
Total stockholders' equity	6,610,763	7,218,315
Total liabilities and stockholders' equity	$ 22,336,942	$ 22,918,077

See accompanying notes to the unaudited consolidated financial statements.

IZEA Worldwide, Inc.
Unaudited Consolidated Statements of Operations

	Three Months Ended March 31,	
	2019	2018
Revenue	$ 4,793,756	$ 3,896,441
Costs and expenses:		
Cost of revenue (exclusive of amortization)	2,099,291	2,163,142
Sales and marketing	1,357,667	1,755,526
General and administrative	2,612,054	1,615,222
Depreciation and amortization	436,224	265,455
Total costs and expenses	6,505,236	5,799,345
Loss from operations	(1,711,480)	(1,902,904)
Other income (expense):		
Interest expense	(128,464)	(21,311)
Change in fair value of derivatives, net	—	(125,595)
Other income, net	9,364	4,690
Total other income (expense), net	(119,100)	(142,216)
Net loss	$ (1,830,580)	$ (2,045,120)
Weighted average common shares outstanding – basic and diluted	12,575,458	5,802,099
Basic and diluted loss per common share	$ (0.15)	$ (0.35)

See accompanying notes to the unaudited consolidated financial statements.

IZEA Worldwide, Inc.
Unaudited Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2017	5,733,981	$ 573	$ 52,570,432	$ (47,277,420)	$ 5,293,585
Cumulative effect of change in accounting policy to ASC 606	—	—	—	(98,822)	(98,822)
Stock issued for payment of services	30,265	3	124,997	—	125,000
Stock issuance costs	—	—	(616)	—	(616)
Stock-based compensation	55,000	6	421,806	—	421,812
Net loss	—	—	—	(2,045,120)	(2,045,120)
Balance, March 31, 2018	5,819,246	$ 582	$ 53,116,619	$ (49,421,362)	$ 3,695,839

	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2018	12,075,708	$ 1,208	$ 60,311,756	$ (53,094,649)	$ 7,218,315
Stock issued for payment of acquisition liability	660,136	66	1,075,956	—	1,076,022
Stock issued for payment of services	22,188	2	37,498	—	37,500
Stock issuance costs	—	—	(2,190)	—	(2,190)
Stock-based compensation	54,076	5	111,691	—	111,696
Net loss	—	—	—	(1,830,580)	(1,830,580)
Balance, March 31, 2019	12,812,108	$ 1,281	$ 61,534,711	$ (54,925,229)	$ 6,610,763

See accompanying notes to the unaudited consolidated financial statements.

IZEA Worldwide, Inc.
Unaudited Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net loss	$ (1,830,580)	$ (2,045,120)
Adjustments to reconcile net loss to net cash provided by / (used for) operating activities:		
Depreciation and amortization	38,477	56,038
Amortization of software development costs and other intangible assets	397,748	209,417
Loss on disposal of equipment	(515)	853
Change in provision for losses on accounts receivable	(29,940)	—
Stock-based compensation	151,214	146,281
Fair value of stock issued for payment of services	37,498	28,671
Decrease in fair value of contingent acquisition costs payable	—	(304,163)
Loss on settlement of acquisition costs payable	191,439	—
Change in fair value of derivatives, net	—	125,595
Changes in operating assets and liabilities, net of effects of business acquired:		
Accounts receivable	1,035,594	358,449
Prepaid expenses and other current assets	133,593	(67,050)
Accounts payable	(369,100)	(496,310)
Accrued expenses	655,823	35,665
Contract liabilities	506,974	845,505
Right of use asset, net	(33,026)	—
Deferred rent	—	(11,119)
Net cash provided by / (used for) operating activities	885,199	(1,117,288)
Cash flows from investing activities:		
Purchase of equipment	(2,383)	(140,193)
Software development costs	(346,789)	(119,352)
Security deposits	2,987	308
Net cash used for investing activities	(346,185)	(259,237)
Cash flows from financing activities:		
Proceeds from line of credit, net of repayments	(190,041)	230,629
Stock issuance costs	(2,190)	(616)
Net cash provided by / (used in) financing activities	(192,231)	230,013
Net increase / (decrease) in cash and cash equivalents	346,783	(1,146,512)
Cash and cash equivalents, beginning of year	1,968,403	3,906,797
Cash and cash equivalents, end of period	$ 2,315,186	$ 2,760,285
Supplemental cash flow information:		
Cash paid for interest	$ 125,194	$ 6,939
Non-cash financing and investing activities:		
Common stock issued for payment of acquisition liability	$ 1,076,022	$ —
Fair value of common stock issued for future services, net	$ 150,000	$ 428,600

See accompanying notes to the unaudited consolidated financial statements.

NOTE 1. COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

IZEA Worldwide, Inc. (together with its wholly-owned subsidiaries, "we," "us," "our," "IZEA" or the "Company") is a public company incorporated in the state of Nevada. In January 2015, IZEA purchased all of the outstanding shares of capital stock of Ebyline, Inc. ("Ebyline"). In July 2016, IZEA purchased all the outstanding shares of capital stock of ZenContent, Inc. ("ZenContent"). The legal entity of ZenContent was dissolved in December 2017 after all assets and transactions were transferred to IZEA. On March 9, 2016, the Company formed IZEA Canada, Inc., a wholly-owned subsidiary, incorporated in Ontario, Canada to operate as a sales and support office for IZEA's Canadian customers. On July 26, 2018, the Company merged with TapInfluence, Inc. ("TapInfluence") pursuant to the terms of an Agreement and Plan of Merger dated as of July 11, 2018, and amended July 20, 2018.

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

The Company's primary technology platform, The IZEA Exchange ("*IZEAx*"), enables transactions to be completed at scale through the management of custom content workflow, creator search and targeting, bidding, analytics, and payment processing. *IZEAx* is designed to provide a unified ecosystem that enables the creation and publication of multiple types of custom content through a creator's personal websites, blogs, or social media channels including Twitter, Facebook, Instagram, and YouTube among others. In addition to *IZEAx*, the Company operates the Ebyline and TapInfluence technology platforms. The Ebyline platform was originally designed as a self-service content marketplace to replace editorial newsrooms in the news agencies with a "virtual newsroom" to handle their content workflow. The TapInfluence platform performs in a similar manner to *IZEAx* and is being utilized by the majority of its customers as a self-service platform via a licensing arrangement, allowing access to the platform and its creators for self-managed marketing campaigns.

Unaudited Interim Financial Information

The accompanying consolidated balance sheet as of March 31, 2019, the consolidated statements of operations for the three months ended March 31, 2019 and 2018, the consolidated statements of stockholders' equity for the three months ended March 31, 2019 and 2018 and the consolidated statements of cash flows for the three months ended March 31, 2019 and 2018 are unaudited but include all adjustments that are, in the opinion of management, necessary for a fair presentation of its financial position at such dates and its results of operations and cash flows for the periods then ended in conformity with generally accepted accounting principles in the United States ("GAAP"). The consolidated balance sheet as of December 31, 2018 has been derived from the audited consolidated financial statements at that date but, in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"), does not include all of the information and notes required by GAAP for complete financial statements. Operating results for the three months ended March 31, 2019 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, 2018 included in the Company's Annual Report on Form 10-K filed with the SEC on March 28, 2019.

Liquidity and Going Concern

The Company's financial statements are prepared using GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred significant net losses and negative cash flow from operations for most periods since its inception, which has resulted in a total accumulated deficit of $54,925,229 as of March 31, 2019. For the quarter ended March 31, 2019, the Company had a net loss of $1,830,580. The Company's cash balance as of March 31, 2019 was $2,315,186 and the Company's operating activities provided cash of $885,199 for the quarter ended March 31, 2019. As of March 31, 2019, the Company has the obligation to pay former TapInfluence stockholders an additional $3,500,000 in the form of cash, common stock or a combination thereof, at IZEA's option, in July 2019.

With the cash on hand at March 31, 2019, along with our available credit line with Western Alliance Bank, we expect to have sufficient cash reserves and financing sources available to cover expenses at least one year from the issuance of this Quarterly Report; however, management's plans to continue as a going concern include raising additional capital through sales of equity securities as well as borrowing. Furthermore, we intend to rely on our ability to issue shares of our common stock to pay our future obligations relating to our acquisitions of ZenContent and TapInfluence as they become due in July 2019.

Principles of Consolidation

The consolidated financial statements include the accounts of IZEA Worldwide, Inc. and its wholly-owned subsidiaries, subsequent to the subsidiaries' individual acquisition, merger or formation dates, as applicable. All significant intercompany balances and transactions have been eliminated in consolidation.

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

Cash and Cash Equivalents

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

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are customer obligations due under normal trade terms. Management considers an account to be delinquent when the customer has not paid an amount due by its associated due date. Uncollectibility of accounts receivable is not significant since most customers are bound by contract and are required to fund the Company for all the costs of an "opportunity," defined as an order created by a marketer for a creator to develop or share content on behalf of a marketer. If a portion of the account balance is deemed uncollectible, the Company will either write-off the amount owed or provide a reserve based on its best estimate of the uncollectible portion of the account. Management determines the collectibility of accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. The Company had a reserve of $248,250 and $278,190, for doubtful accounts as of March 31, 2019 and December 31, 2018, respectively. 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, 2019 and 2018.

Concentrations of credit risk with respect to accounts receivable were typically limited because a large number of geographically diverse customers make up the Company's customer base, thus spreading the trade credit risk. However, with the Company's acquisition of TapInfluence, it has increased credit exposure on certain customers who carry significant credit balances related to their marketplace spend. The Company controls credit risk through credit approvals, credit limits and monitoring procedures. The Company performs credit evaluations of its customers, but generally does not require collateral to support accounts receivable. The Company had one customer that accounted for 23% of total accounts receivable at March 31, 2019 and two customers that together accounted for 36% at December 31, 2018. The Company had one customer that accounted for 10% of its revenue during the three months ended March 31, 2019 and had no customer that accounted for more than 10% of its revenue during the three months ended March 31, 2018.

Property and Equipment

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

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

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

Goodwill and Business Combinations

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

The Company performs its annual impairment tests of goodwill as of October 1 of each year, or more frequently, if certain indicators are present. Goodwill is required to be tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below the operating segment level, which is referred to as a component. Management identifies its reporting units by assessing whether components (i) have discrete financial information available; (ii) engage in business activities; and (iii) whether a segment manager regularly reviews the component's operating results. Net assets and goodwill of acquired businesses are allocated to the reporting unit associated with the acquired business based on the anticipated organizational structure of the combined entities. If two or more components are deemed economically similar, those components are aggregated into one reporting unit when performing the annual goodwill impairment review. The Company has determined that it has two reporting units as of March 31, 2019. See further discussion regarding segment reporting in Note 10.

For the three months ended March 31, 2019 and 2018, there were no impairment charges to goodwill.

Intangible Assets

The Company acquired the majority of its intangible assets through its acquisitions of Ebyline, ZenContent and TapInfluence. The Company is amortizing the identifiable intangible assets over periods of 12 to 60 months. See Note 4 for further details.

Management reviews long-lived assets, including property and equipment, software development costs and other intangible assets, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared with the asset's carrying amount to determine if there has been an impairment, which is calculated as the difference between the fair value of an asset and its carrying value. Estimates of future undiscounted cash flows are based on expected growth rates for the business, anticipated future economic conditions and estimates of residual values. Fair values take into consideration management estimates of risk-adjusted discount rates, which are believed to be consistent with assumptions that marketplace participants would use in their estimates of fair value. For the three months ended March 31, 2019 and 2018, there were no impairment charges associated with the Company's long-lived assets.

Software Development Costs

In accordance with ASC 350-40, *Internal Use Software,* the Company capitalizes certain internal use software development costs associated with creating and enhancing internally developed software related to its platforms. Software development activities generally consist of three stages (i) the research and planning stage, (ii) the application and development stage, and (iii) the post-implementation stage. Costs incurred in the research and planning stage and in the post-implementation stage of software development, or other maintenance and development expenses that do not meet the qualification for capitalization, are expensed as incurred. Costs incurred in the application and infrastructure development stage, including significant enhancements and upgrades, are capitalized. These costs include personnel and related employee benefits expenses for employees or consultants who are directly associated with and who devote time to software projects, and external direct costs of materials obtained in developing the software. These software development and acquired technology costs are amortized on a straight-line basis over the estimated useful life of five years upon initial release of the software or additional features. See Note 5 for further details.

Leases

Effective January 1, 2019, the Company adopted ASU No. 2016-02, *Leases (Topic 842)*. As permitted under the standard, the Company elected the package of practical expedients which permit the Company to carryforward its prior conclusions about lease identification, lease classification and initial direct costs. Additionally, the Company adopted the practical expedient that allows comparative periods to be reported under the lease accounting guidance in effect at the time prior period financial statements were previously issued. Effectively, the Company elected to apply the guidance as of the adoption date whereas financial information for prior periods has not been updated, and the disclosures required under the new standard herein have not been provided for dates and periods before January 1, 2019.

This ASU establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The Company does not expect to record leases on the balance sheet that at the commencement date have a lease term of twelve months or less.

As of its January 1, 2019 adoption of this standard, the Company had one material lease greater than 12 months in duration which is associated with its Corporate headquarters near Orlando, Florida. The January 1, 2019 adoption of this standard resulted in the Company recording a right-of-use asset of $412,442 and an associated right-of-use liability of $400,977. The right-of-use asset is being amortized to rent expense over the remaining term of the lease. The right-of-use liability was determined by discounting the Company's remaining obligations under the lease using its average incremental borrowing rate and will be increased through the recording of interest expense and reduced by payments made under the lease. For the three months ended March 31, 2019, the Company recorded $8,923 of interest on this right-of-use liability.

Revenue Recognition

The Company generates revenue from five primary sources: (1) revenue from its managed services when a marketer (typically a brand, agency or partner) pays the Company to provide custom content, influencer marketing, amplification or other consulting services ("Managed Services"); (2) revenue from fees charged to self-service customers on their marketplace spend within the Company's *IZEAx* and *TapInfluence* platforms ("Marketplace Spend Fees"); (3) revenue from fees charged to access the *IZEAx, Ebyline,* and *TapInfluence* platforms ("License Fees"); (4) revenue from transactions generated by the self-service use of the Company's *Ebyline* platform for professional custom content workflow ("Legacy Workflow Fees"); and (5) revenue derived from other fees such as inactivity fees, early cash-out fees, and plan fees charged to users of the Company's platforms ("Other").

The Company recognizes revenue in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). Under ASC 606, revenue is recognized based on a five-step model which are as follows: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) performance obligations are satisfied. The core principle of ASC 606 is that revenue is recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are distinct performance obligations. The Company also determines whether it acts as an agent or a principal for each identified performance obligation. The determination of whether the Company acts as the principal or the agent is highly subjective and requires the Company to evaluate a number of indicators individually and as a whole in order to make its determination. For transactions in which the Company acts as a principal, revenue is reported on a gross basis as the amount paid by the marketer for the purchase of content or sponsorship, promotion and other related services and the Company records the amounts it pays to third-party creators as cost of revenue. For transactions in which the Company acts as an agent, revenue is reported on a net basis as the amount the Company charged to the self-service marketer using the Company's platforms, less the amounts paid to the third-party creators providing the service.

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

For Managed Services Revenue, the Company enters into an agreement to provide services that may include multiple distinct performance obligations in the form of: (i) an integrated marketing campaign to provide influencer marketing services, which may include the provision of blogs, tweets, photos or videos shared through social network offerings and content promotion, such as click-through advertisements appearing in websites and social media channels; and (ii) custom content items, such as a research or news article, informational material or videos. Marketers typically purchase influencer marketing services for the purpose of providing public awareness or advertising buzz regarding the marketer's brand and they purchase custom content for internal and external use. The Company may provide one type or a combination of all types of these performance obligations on a statement of work for a lump sum fee. The Company allocates revenue to each performance obligation in the contract at inception based on its relative standalone selling price. These performance obligations are to be provided over a stated period that may range from one day to one year. Revenue is accounted for when the performance obligation has been satisfied depending on the type of service provided. The Company views its obligation to deliver influencer marketing services, including management services, as a single

performance obligation that is satisfied over time as the customer receives the benefits from the services. Revenue is recognized using an input method of costs incurred compared to total expected costs to measure the progress towards satisfying the overall performance obligation of the marketing campaign. The delivery of custom content represents a distinct performance obligation that is satisfied over time as the Company has no alternative for the custom content and the Company has an enforceable right to payment for performance completed to date under the contracts. The Company considers custom content to be a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer, and revenue is recognized over time using an output method based on when each individual piece of content is delivered to the customer. Based on the Company's evaluations, revenue from Managed Services is reported on a gross basis, because the Company has the primary obligation to fulfill the performance obligations and it creates, reviews and controls the services. The Company takes on the risk of payment to any third-party creators and it establishes the contract price directly with its customers based on the services requested in the statement of work.

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

License Fee revenue is generated through the granting of limited, non-exclusive, non-transferable licenses to customers for the use of the *IZEAx* and *TapInfluence* technology platforms for an agreed-upon subscription period. Customers license the platforms to manage their own influencer marketing campaigns. Fees for subscription or licensing services are recognized straight-line over the term of the service.

Other Fee revenue is generated when fees are charged to customers primarily related to monthly plan fees, inactivity fees, and early cash-out fees. Plan fees are recognized within the month they relate to, and inactivity and early cash-out fees are recognized at a point in time when the account is deemed inactive or a cash-out below certain minimum thresholds is requested.

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

Advertising Costs

Advertising costs are charged to expense as they are incurred, including payments to content creators to promote the Company. Advertising costs charged to operations for the three months ended March 31, 2019 and 2018 were approximately $78,000 and $102,000, respectively. Advertising costs are included in sales and marketing expense in the accompanying consolidated statements of operations.

Income Taxes

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

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company’s tax years subject to examination by the Internal Revenue Service are 2015, 2016 and 2017.

Fair Value of Financial Instruments

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

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

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The Company does not have any Level 1 or 2 financial assets or liabilities. The Company's Level 3 financial liabilities measured at fair value included its acquisition cost liability (see Note 2) as of March 31, 2019 and December 31, 2018 and its Right of Use liability as of March 31, 2019. The respective carrying values of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable, unearned revenue, and accrued expenses. Unless otherwise disclosed, the fair values of the Company's long-term debt obligations approximate their carrying value based upon current rates available to the Company.

Stock-Based Compensation

Stock-based compensation cost related to stock options granted under the 2011 Equity Incentive Plan and the 2011 B Equity Incentive Plan (together, the "2011 Equity Incentive Plans") (see Note 7) is measured at the grant date, based on the fair value of the award, and is recognized as expense over the employee's requisite service period on a straight-line basis. 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 uses the closing stock price of its common stock on the date of the grant as the associated fair value of its common stock. 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 stock options granted under the 2011 Equity Incentive Plans during the three months ended March 31, 2019 and 2018:

	Three Months Ended	
2011 Equity Incentive Plans Assumptions	March 31, 2019	March 31, 2018
Expected term	6 years	6 years
Weighted average volatility	63.37%	60.78%
Weighted average risk-free interest rate	2.52%	2.46%
Expected dividends	—	—

The Company estimates forfeitures when recognizing compensation expense and this estimate of forfeitures is adjusted over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment, which is recognized in the period of change, and a revised amount of unamortized compensation expense to be recognized in future periods. Weighted average expected forfeiture rates were 7.82% and 18.12% on stock options granted during the three months ended March 31, 2019 and 2018, respectively.

The Company did not grant any restricted stock units under the 2011 Equity Incentive Plans during the three months ended March 31, 2019 or 2018.

The Company may issue shares of restricted stock or restricted stock units which vest over future periods. The value of shares issued to non-employees is required to be adjusted over the vesting period. See Note 7 for additional information related to these shares.

Non-Employee Stock-Based Payments

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC 505, *"Equity-Based Payments to Non-Employees."* The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. The fair value of equity instruments issued to consultants that vest immediately is expensed when issued. The fair value of equity instruments issued to consultants that have future vesting and are subject to forfeiture if performance does not occur is recognized as expense over the vesting period. Fair values for the unvested portion of issued instruments are adjusted each reporting period. The change in fair value is recorded in the accompanying consolidated statements of operations. Stock-based payments related to non-employees is accounted for based on the fair value of the related stock or the fair value of the services, whichever is more readily determinable.

Use of Estimates

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

Recent Accounting Pronouncements

Fair Value Measurements: In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* The new guidance amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures on fair value measurements in ASC 820. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The new guidance will be effective for the Company beginning January 1, 2020, with early adoption permitted upon issuance of this updated guidance. The Company does not plan to early adopt this ASU, and it is currently evaluating the impact of adopting this guidance.

Collaborative Arrangements: In November 2018, the FASB issued ASU No 2018-18, Collaborative Arrangements (Topic 808): Clarifying the interaction between Topic 808 and Topic 606. The guidance makes targeted improvements to GAAP for collaborative arrangements including: (i) clarifying that certain transactions between collaborative arrangement participants should be accounted for as revenue under ASC 606 when the collaborative arrangement participant is a customer in the context of a unit of account, (ii) adding unit-of-account guidance in ASC 808 to align with the guidance in ASC 606 (that is, a distinct good or service) when an entity is assessing whether the collaborative arrangement or a part of the arrangement is within the scope of ASC 606, and (iii) requiring that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, presenting the transaction together with revenue recognized under ASC 606 is precluded if the collaborative arrangement participant is not a customer. The amendments in this update are effective for public entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The amendments should be applied retrospectively to the date of initial application of ASC 606. An entity may elect to apply the amendments in this ASU retrospectively either to all contracts or only to contracts that are not completed at the date of initial application of ASC 606. An entity should disclose its election. An entity may elect to apply the practical expedient for contract modifications that is permitted for entities using the modified retrospective transition method in ASC 606. The Company is currently assessing the effect the adoption of this standard will have on its financial statements.

NOTE 2. BUSINESS COMBINATIONS

TAPINFLUENCE, INC.

On July 26, 2018, IZEA completed its merger with TapInfluence, Inc., pursuant to the terms of the Agreement and Plan of Merger, dated as of July 11, 2018, by and among IZEA, IZEA Merger Sub, Inc., TapInfluence, certain stockholders of TapInfluence and the stockholders' representative, as amended by Amendment No. 1 thereto, dated as of July 20, 2018 (the "Merger Agreement"). The merger was consummated, in part, to further consolidate the influencer marketing industry for IZEA, and for IZEA to obtain benefits from the acquisition of the TapInfluence technology platform and existing customer base, particularly from TapInfluence's self-service customers.

At closing, IZEA paid to TapInfluence stockholders the sum of $1,500,000 in cash, less an estimated closing working capital adjustment of $181,633, along with other adjustments as defined in the Merger Agreement, and issued 1,150,000 shares of IZEA's common stock valued at $1,759,500 based on the $1.53 closing market price of IZEA's common stock on July 26, 2018. IZEA has agreed to pay TapInfluence stockholders an additional $4,500,000 in the form of cash, common stock or a combination thereof, at IZEA's option, in two installments - $1,000,000 six months after the closing date of the merger and $3,500,000 twelve months after the closing date of the merger. Stock issuances, if any, will be determined based on the 30-trading day volume-weighted average price per share of IZEA's common stock prior to the payment date. Future cash payments and stock issuances may be withheld from the six month or twelve month payment for post-closing working capital adjustments and to satisfy indemnifiable claims made by IZEA with respect to any misrepresentations or breaches of warranty under the Merger Agreement by TapInfluence or the stockholders of TapInfluence within 12 months after the closing date of the merger.

Purchase Price and Acquisition Costs Payable

	Estimated Gross Purchase Consideration	Estimated Initial Present and Fair Value	Estimated Remaining Present and Fair Value	
	7/26/2018	7/26/2018	12/31/2018	3/31/2019
Cash paid at closing (a)	$ 1,500,000	$ 1,500,000	$ —	$ —
Stock paid at closing (a)	1,759,500	1,759,500	—	—
Purchase price adjustment (b)	(439,610)	(555,026)	(115,416)	—
First deferred purchase price installment (c)	1,000,000	970,576	995,097	—
Second deferred purchase price installment (c)	3,500,000	3,271,028	3,366,433	3,423,676
Total estimated consideration	$ 7,319,890	$ 6,946,078	$ 4,246,114	$ 3,423,676
Current portion of acquisition costs payable			$ 4,246,114	$ 3,423,676
Long-term portion of acquisition costs payable			—	—
Total acquisition costs payable			$ 4,246,114	$ 3,423,676

(a) The aggregate consideration paid at closing for the acquisition of TapInfluence consisted of a cash payment of $1,500,000 and the issuance of 1,150,000 shares of IZEA common stock valued at $1,759,500, or $1.53 per share.

(b) Per the terms of the Merger Agreement, the initial cash payment due at closing of $1,500,000 was to be adjusted as follows: reduced for seller transaction expenses and closing date indebtedness, increased by closing date cash and cash equivalents of TapInfluence, and reduced or increased by an estimated working capital amount. These adjustments resulted in a net reduction in the purchase price of $439,610, which included a negative estimated working capital adjustment of $181,633.

(c) Aggregate post-acquisition date consideration consists of additional payments totaling $4,500,000, less any remaining adjustment related to the final working capital adjustment calculation. The payments will be made in the form of cash, common stock or a combination thereof, at IZEA's option. The first of these installments was paid in January 2019, with the second of the two installments due in July 2019. Following the closing, IZEA calculated the final working capital as of the closing date as a negative $297,049, which was $115,416 lower than the original estimate of negative $181,633. Therefore, the purchase price was reduced by an additional $115,416, which was deducted from the six-month installment payment paid in January 2019. On January 26, 2019, the Company issued 660,136 shares of its common stock valued at $884,583, or $1.34 per share, using a thirty (30) trading day volume-weighted average closing price as reported by the Nasdaq Capital Market prior to the issuance date. The Company recorded a $191,439 loss on the settlement of this acquisition cost payable as a result of the difference between the actual closing market price of the common stock of $1.63 on the settlement date and the 30-day average price of the common stock of $1.34 required by the Merger Agreement.

For the three months ended March 31, 2019, $778,638 of the Company's consolidated revenue was associated with TapInfluence operations. The Company is unable to determine net loss specifically related to TapInfluence operations as the majority of operational resources were shared with IZEA.

The following unaudited pro forma summary presents consolidated information of the Company as if the business combination with TapInfluence had occurred on January 1, 2018:

	Pro Forma Three Months Ended March 31, 2018
Pro forma revenue	$ 4,954,453
Pro forma cost of revenue	$ 2,329,884
Pro forma gross profit	$ 2,624,569
Pro forma net loss prior to adjustments	$ (2,746,799)
Pro forma adjustment to net loss:	
Difference in amortization of acquired identifiable intangible assets	(258,917)
Pro forma net loss combined	$ (3,005,716)

The business combination was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. As the acquirer for accounting purposes, IZEA is in the process of finalizing its estimated fair value of TapInfluence's assets acquired and liabilities assumed and conforming the accounting policies of TapInfluence to its own accounting policies. The Company does not expect there to be any material changes to its acquisition accounting based upon its final review procedures. However, differences between these preliminary estimates and the final purchase price accounting may occur, and these differences could have a material impact on the Company's consolidated financial statements.

ZENCONTENT, INC.

On July 31, 2016, the Company purchased all of the outstanding shares of capital stock of ZenContent pursuant to the terms of a Stock Purchase Agreement, by and among IZEA, ZenContent and the stockholders of ZenContent (the "ZenContent Stock Purchase Agreement") for a maximum purchase price to be paid over three years of $4,500,000. Upon closing, the Company paid a cash payment of $400,000 and issued 86,207 shares of the Company's common stock valued at $600,000. The ZenContent Stock Purchase Agreement also requires (i) three equal annual installment payments totaling $1,000,000, subject to a working capital adjustment, commencing 12 months following the closing and (ii) contingent performance payments of up to an aggregate of $2,500,000 over the three consecutive 12-month periods following the closing, based upon ZenContent achieving certain minimum revenue thresholds. Of these payments, 33% of each such annual installment or contingent performance payment will be in the form of cash and the remainder of such payment will be in the form of either cash or additional shares of the Company's common stock (determined at the Company's option). In July 2018, pursuant to an amendment to the ZenContent Stock Purchase Agreement, the parties agreed to fix the amount payable for any further contingent performance payments at $90,000, of which $45,000 was paid in cash on November 1, 2018, and $45,000 is due on November 1, 2019 and is payable in cash or stock at the Company's option.

Purchase Price and Acquisition Costs Payable

	Estimated Gross Purchase Consideration 7/31/2016	Initial Present and Fair Value 7/31/2016	Remaining Present and Fair Value 12/31/2018	Remaining Present and Fair Value 3/31/2019
Cash paid at closing (a)	$ 400,000	$ 400,000	$ —	$ —
Stock paid at closing (a)	600,000	600,000	—	—
Guaranteed purchase price (b)	933,565	566,547	321,740	326,709
Contingent performance payments (c)	2,500,000	230,000	43,639	44,220
Total estimated consideration	$ 4,433,565	$ 1,796,547	$ 365,379	$ 370,929
Current portion of acquisition costs payable			$ 365,379	$ 370,929
Long-term portion of acquisition costs payable			—	—
Total acquisition costs payable			$ 365,379	$ 370,929

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

(b) Aggregate post-acquisition date consideration consists of (i) three equal annual installment payments totaling $1,000,000, commencing 12 months following the closing, less a reduction of $66,435 due to a customary closing date working capital adjustment ("guaranteed purchase price"), and (ii) contingent performance payments up to an aggregate of $2,500,000 over the three consecutive 12-month periods following the closing. These payments are also subject to a downward adjustment up to 30% if ZenContent's co-founder was terminated by IZEA for cause or if she terminated her employment without good reason. As a result, the Company initially reduced its acquisition cost liability by $300,000 to be accrued as compensation expense over the three-year term rather than allocated to the initial purchase price in accordance with ASC 805-10-55-25. The initial guaranteed purchase price consideration was discounted to present value using the Company's borrowing rate of prime plus 2% (5.5% on July 31, 2016). On July 31, 2017, the Company paid $266,898 in cash for the first annual installment of $333,333 less $66,435 in working capital adjustments. On July 31, 2018, the Company paid the second annual installment, comprised of $111,112 in cash and $222,221 in stock using 98,765 shares of its common stock valued at $2.25 per share, using a thirty (30) trading day volume-weighted average closing price as reported by the Nasdaq Capital Market prior to the issuance date.

(c) The contingent performance payments were subject to ZenContent achieving certain minimum revenue thresholds over 36 months. On July 31, 2016, the Company initially determined the fair value of the $2,500,000 contingent payments to be $230,000. The fair value of the contingent performance payments was required to be revalued each quarter and was calculated using a Monte-Carlo simulation to simulate revenue over the future periods. Since the contingent consideration has an option like structure, a risk-neutral framework was considered appropriate for the valuation. The Company started with a risk-adjusted measure of forecasted revenue (using a risk-adjusted discount rate of 17%) and assumed it would follow geometric Brownian motion to simulate the revenue at future dates. Once the initial revenue was estimated based off of projections, payout was calculated for each year and present valued to incorporate the credit risk associated with these payments. The Company's fair value conclusion was based on the average payment from 250,000 simulation trials. The volatility used for the simulation was 45%. The interest rate used for the simulation was the Company's current borrowing rate of prime plus 2% at the time of valuation. The Company revised its estimate of the contingent performance payments based on the fixed payments agreed upon in the July 2018 amendment to the ZenContent Stock Purchase Agreement.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	March 31, 2019	December 31, 2018
Furniture and fixtures	$ 293,777	$ 293,777
Office equipment	77,993	77,194
Computer equipment	562,357	561,812
Leasehold improvements	338,018	338,018
Total	1,272,145	1,270,801
Less accumulated depreciation and amortization	(1,036,000)	(998,562)
Property and equipment, net	$ 236,145	$ 272,239

Depreciation expense on property and equipment recorded in depreciation and amortization expense in the accompanying consolidated statements of operations was $38,477 and $56,038 for the three months ended March 31, 2019 and 2018, respectively.

NOTE 4. INTANGIBLE ASSETS

The identifiable intangible assets, other than Goodwill, consists of the following assets:

	Balance	Accumulated Amortization	Balance	Accumulated Amortization	Useful Life (in years)
	March 31, 2019		December 31, 2018		
Content provider networks	$ 160,000	$ 160,000	$ 160,000	$ 160,000	2
Trade names	87,000	75,333	87,000	66,583	1
Developed technology	1,130,000	452,667	1,130,000	396,167	5
Self-service content customers	2,810,000	787,778	2,810,000	571,111	3
Managed content customers	2,140,000	2,101,111	2,140,000	2,071,945	3
Domains	166,469	108,205	166,469	99,881	5
Embedded non-compete provision	28,000	9,333	28,000	5,833	2
Total identifiable intangible assets	$6,521,469	$ 3,694,427	$6,521,469	$ 3,371,520	

Total identifiable intangible assets, other than Goodwill, from the Company's acquisitions and other acquired assets net of accumulated amortization thereon consists of the following:

	March 31, 2019	December 31, 2018
Ebyline Intangible Assets	$ 2,370,000	$ 2,370,000
ZenContent Intangible Assets	722,000	722,000
TapInfluence Intangible Assets	3,263,000	3,263,000
Domains	166,469	166,469
Total Intangible Assets	6,521,469	6,521,469
Accumulated amortization	(3,694,427)	(3,371,520)
Intangible Assets, net	$ 2,827,042	$ 3,149,949

The Company is amortizing the identifiable intangible assets over a weighted average period of three years. Amortization expense recorded in depreciation and amortization expense in the accompanying consolidated statements of operations was $322,907 and $135,795 for the three months ended March 31, 2019 and 2018, respectively. The portion of this amortization expense specifically related to the costs of acquired technology for its platforms that is presented separately from cost of revenue was $26,500 and $26,500 for the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, future estimated amortization expense related to identifiable intangible assets over the next five years is set forth in the following schedule:

Year ending December 31:	Amortization Expense
Remainder of 2019	$ 905,526
2020	1,079,127
2021	652,389
2022	120,000
2023	70,000
Total	$ 2,827,042

The Company's goodwill balance changed as follows:

	Amount
Balance on December 31, 2018	$ 8,316,722
Acquired during 2019	—
Balance on March 31, 2019	$ 8,316,722

NOTE 5. SOFTWARE DEVELOPMENT COSTS

Software development costs consists of the following:

	March 31, 2019	December 31, 2018
Software development costs	$ 2,663,304	$ 2,316,515
Less accumulated depreciation and amortization	(962,753)	(887,911)
Software development costs, net	$ 1,700,551	$ 1,428,604

The Company developed its web-based advertising and content exchange platform, *IZEAx,* to enable native advertising campaigns on a greater scale. The Company continues to add new features and additional functionality to *IZEAx* to facilitate the contracting, workflow, and delivery of direct content as well as provide for invoicing, collaborating, and direct payments for the Company's self-service customers. Research and planning phase costs are expensed as incurred. Costs incurred in the application and infrastructure development stage, including significant enhancements and upgrades, are capitalized. These costs include personnel and related employee benefits expenses for employees or consultants who are directly associated with and who devote time to software projects, and external direct costs of materials obtained in developing the software. The Company incurred and capitalized software development costs of $346,789 and $119,352 during the three months ended March 31, 2019 and 2018, respectively. As a result, the Company has capitalized a total of $2,663,304 in direct materials, consulting, payroll and benefit costs to its internal use software development costs in the consolidated balance sheet as of March 31, 2019. The Company amortizes its software development costs, upon initial release of the software or additional features, on a straight-line basis over the estimated the useful life of five years, which is consistent with the amount of time its legacy platforms were in service.

Amortization expense on software development costs that is presented separately from cost of revenue and recorded in depreciation and amortization expense in the accompanying consolidated statements of operations was $74,842 and $73,622 for the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, future estimated amortization expense related to software development costs is set forth in the following schedule:

Year ending December 31:	Software Amortization Expense
Remainder of 2019	$ 295,885
2020	414,002
2021	372,606
2022	303,281
Thereafter	314,777
	$ 1,700,551

NOTE 6. COMMITMENTS & CONTINGENCIES

Credit Agreement

The Company has a secured credit facility agreement with Western Alliance Bank, the parent company of Bridge Bank, N.A. of San Jose, California, which it obtained on March 1, 2013 and expanded on April 13, 2015. Effective August 30, 2018, as a result of IZEA's merger with TapInfluence, the Company entered into a Business Financing Modification Agreement and Consent with Western Alliance Bank to add TapInfluence as an additional borrower on the credit facility. In connection with the August 30, 2018 amendment, the Company incurred approximately $8,400 of costs which have been capitalized and are being amortized through interest expense over 12 months. Pursuant to the credit facility agreement, as amended, the Company may submit requests for funding up to 80% of its eligible accounts receivable up to a maximum credit limit of $5 million. This agreement is secured by the Company's accounts receivable and substantially all of the Company's other assets. The agreement automatically renews in April of each year and requires the Company to pay an annual facility fee of $20,000 (0.4% of the credit limit) and an annual due diligence fee of $1,000. Interest accrued on the advances at the rate of prime plus 2% per annum through August 29, 2018, at which time the rate was amended to prime plus 1.5% per annum in conjunction with the August 30, 2018 modification agreement. The default rate of interest is prime plus 7%. The Company had $1,336,247 and $1,526,288 outstanding under this line of credit agreement as of March 31, 2019 and December 31, 2018. These balances outstanding were secured by gross accounts receivable balances of $1,670,308 and $1,907,860 as of March 31, 2019 and December 31, 2018, respectively. As of March 31, 2019, the Company had a net accounts receivable balance of $6,066,161. Assuming that all of the Company's accounts receivable balance was eligible for funding, the Company had $3,516,682 in remaining available credit under the agreement as of March 31, 2019.

The annual fees are capitalized in the Company's consolidated balance sheet within other current assets and are amortized to interest expense over one year. The Company amortized $8,410 and $5,250 of the credit facility costs through interest expense during the three months ended March 31, 2019 and 2018, respectively. The remaining value of the capitalized loan costs related to the Bridge Bank credit agreement as of March 31, 2019 is $2,804. This amount will be amortized to interest expense in April 2019.

Lease Commitments

The Company has no obligations under capital leases as of March 31, 2019 and December 31, 2018.

Operating Leases

The corporate headquarters are located at 480 N. Orlando Avenue, Suite 200 in Winter Park, Florida. The Company occupies this office pursuant to a sixty-five month sublease agreement that originally expired in April 2019. In January 2019, the Company exercised its option to extend this lease for one additional year until April 30, 2020. This lease covers approximately 15,500 square feet based on an annually increasing rate of $17.50 to $22.50 per square foot over the initial lease term. The Company also occupies flexible office space under monthly, quarterly or semi-annual membership contracts in Los Angeles, San Francisco, Denver, Chicago, New York City and Toronto.

A summary of future minimum lease payments under the Company's non-cancelable leases as of March 31, 2019 is as follows:

As of March 31, 2019	Operating Leases
2019	$ 432,067
2020	113,516
Total minimum lease payments	$ 545,583

Our lease portfolio has a wighted-average remaining lease term of 11 months. The present value of the lease obligation associated with our Winter Park, Florida office space was determined using a discount rate of 9.5%, consistent with our effective borrowing rate.

Total rent expense recorded in general and administrative expense in the accompanying consolidated statements of operations was approximately $154,697 and $167,582 for the three months ended March 31, 2019 and 2018 respectively.

Retirement Plans

In December 2007, the Company introduced a 401(k) plan that covered all eligible employees. The Company matches participant contributions in an amount equal to 50% of each participant's contribution up to 8% of the participant's salary. The participants become vested in 20% annual increments after two years of service. During the three months ended March 31, 2019 and 2018, the Company incurred $51,692 and $50,324, respectively, in expense for matching employer contributions.

Litigation

A securities class action lawsuit, *Julian Perez, individually, and on behalf of all others similarly situated v. IZEA, Inc., et al*., case number 2:18-cv-02784-SVW-GJS was instituted April 4, 2018 in the U.S. District Court for the Central District of California against the Company and certain of its executive officers on behalf of certain purchasers of its common stock. The plaintiffs seek to recover damages for investors under federal securities laws. The Company believes that the plaintiffs' allegations are without merit and intends to continue to vigorously defend against the claims. However, based upon currently available information and review with outside counsel, the Company has estimated and accrued a potential loss of $500,000 representing its deductible on the associated insurance coverage.

On April 15, 2019, a stipulation of settlement was filed in the U.S. District Court for the Central District of California that contained settlement terms as agreed upon by us and the other parties to the Perez class action lawsuit described above. The settlement terms as agreed upon by the parties include that, within 15 business days of execution of the stipulation of settlement, IZEA's insurer will deposit $250,000 into the settlement fund. Within 20 business days of entry of the Court's order of preliminary approval, our insurer will make a payment of $550,000 and we will pay the remainder of the Company's previously accrued insurance deductible (400,000) into escrow to be used as settlement funds, inclusive of lead plaintiff awards and lead counsel fees. The settlement is subject to approval by the U.S. District Court, and the plaintiff has filed a motion for preliminary approval of the settlement which the court entered on May 8, 2019. Upon final approval by the Court, the settlement will require that the Perez lawsuit be dismissed with prejudice. In the event that the Court does not approve the settlement, we intend to vigorously defend against the claims.

On July 3, 2018, a shareholder derivative lawsuit, *Korene Stuart v. Edward H. Murphy et al*., case number A-18-777135-C was instituted in the Eighth Judicial District Court of the State of Nevada, Clark County against certain executive officers and members of the Board of Directors for IZEA. IZEA has been named as a nominal defendant. The plaintiff seeks to recover damages on behalf of the company for purported breaches of the individual defendants' fiduciary duties as directors and/or officers of IZEA, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets in violation of state common law.

Additionally, on October 19, 2018, a shareholder derivative lawsuit, *Dennis E. Emond v. Edward H. Murphy et al.*, case number 2:18-cv-9040, was instituted in the U.S. District Court for the Central District of California against certain executive officers and members of the Board of Directors for IZEA. IZEA has been named as a nominal defendant. An amended complaint was filed on October 31, 2018. The plaintiff seeks to recover damages on behalf of the company for purported breaches of the individual defendants' fiduciary duties as directors and/or officers of IZEA, and gross mismanagement, and under federal securities laws.

On March 6, 2019, a stipulation of settlement was filed in the United States District Court for the Central District of California that contained settlement terms as agreed upon by the parties to the Stuart and Emond shareholder derivative lawsuits described above. The settlement terms as agreed upon by the parties include that IZEA will direct its insurers to make a payment of $300,000 as a fee and service award to the plaintiffs and their counsel in the Emond and Stuart lawsuits and further that IZEA will enact certain corporate governance reforms. The settlement is subject to approval by the United States District Court for the Central District of California, and the plaintiff has filed a motion for preliminary approval of the settlement which is scheduled to be heard by the Court on May 13, 2019. Upon final approval by the Court, the settlement will require that both the Emond and Stuart lawsuits be dismissed with prejudice. In the event that the Court does not approve the settlement, the Company intends to vigorously defend against the claims.

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

outcomes, however, any such proceedings or claims may nonetheless impose a significant burden on management and employees and may come with costly defense costs or unfavorable preliminary interim rulings.

NOTE 7. STOCKHOLDERS' EQUITY

Authorized Shares

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

Stock Issued for Acquisitions

On January 26, 2019, pursuant to its Merger Agreement with TapInfluence (see Note 2), the Company issued 660,136 shares of its common stock valued at $884,583, or $1.34 per share, using a thirty (30) trading day volume-weighted average closing price as reported by the Nasdaq Capital Market prior to the issuance date. The Company recorded a $191,439 loss on the settlement of this acquisition cost payable as a result of the difference between the actual closing market price of the common stock of $1.63 on the settlement date and the 30-day average price of the common stock of $1.34 required by the Merger Agreement.

Equity Incentive Plans

In May 2011, the Company's Board of Directors (the "Board") adopted the 2011 Equity Incentive Plan of IZEA, Inc. (the "May 2011 Plan"). At the Company's 2018 Annual Meeting of Stockholders held on December 18, 2018, the stockholders approved an amendment and restatement of the May 2011 Plan which increased the number of shares of common stock available for issuance under the May 2011 Plan. The amended and restated May 2011 Plan allows the Company to award restricted stock, restricted stock units and stock options, covering up to 2,500,000 shares of common stock as incentive compensation for its employees and consultants. As of March 31, 2019, the Company had 1,024,156 shares of common stock available for issuance pursuant to future grants under the May 2011 Plan.

On August 22, 2011, the Company adopted the 2011 B Equity Incentive Plan (the "August 2011 Plan") reserving 4,375 shares of common stock for issuance under the August 2011 Plan. As of March 31, 2019, the Company had 4,375 shares of common stock available for future grants under the August 2011 Plan.

Restricted Stock

Under both the May 2011 Plan and the August 2011 Plan (together, the "2011 Equity Incentive Plans"), the Board determines the terms and conditions of each restricted stock issuance, including any future vesting restrictions.

The Company issued 27,184 shares of restricted stock on March 28, 2019 to Mr. Edward Murphy, its Chief Executive Officer, for amounts owed on his fourth quarter 2018 performance bonus. The stock was initially valued at $36,427 and vests in equal monthly installments over 12 months from issuance. The Company issued 4,570 shares of restricted stock on March 28, 2019 to Mr. Ryan Schram, its Chief Operating Officer, for amounts owed on his fourth quarter 2018 performance bonus. The stock was initially valued at $6,124 and vests in equal monthly installments over 48 months from issuance.

During the three months ended March 31, 2019, the Company issued its six independent directors a total of 88,758 shares of restricted common stock initially valued at $150,000 for their annual service as directors of the Company. The stock will vest in equal monthly installments from January through December 2019.

The following table contains summarized information about restricted stock issued during the three months ended March 31, 2019:

Restricted Stock	Common Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested at December 31, 2017	11,799	$ 4.52	3.8
Granted	115,763	4.24	
Vested	(62,078)	4.51	
Forfeited	(7,500)	5.52	
Nonvested at December 31, 2018	57,984	$ 3.70	1.4
Granted	120,512	1.60	
Vested	(34,024)	2.47	
Forfeited	(2,500)	5.52	
Nonvested at March 31, 2019	141,972	$ 2.18	1.1

Although restricted stock is issued upon the grant of an award, the Company excludes restricted stock from the computations of total shares outstanding and earnings per share until such time as the restricted stock vests.

Expense recognized on restricted stock issued to non-employees for services during the three months ended March 31, 2019 and 2018 was $37,498 and $28,671, respectively. Expense recognized on restricted stock issued to employees during the three months ended March 31, 2019 and 2018 was $38,414 and $28,069, respectively. Future compensation expense related to issued, but nonvested restricted stock awards as of March 31, 2019 is $311,953. This value is estimated to be recognized over the weighted-average vesting period of approximately 1.1 years.

Restricted Stock Units
The Board determines the terms and conditions of each restricted stock unit award issued under the May 2011 Plan.

The following table contains summarized information about restricted stock units during the three months ended March 31, 2019:

Restricted Stock Units	Common Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested at December 31, 2017	—	$ —	0.0
Granted	160,000	1.04	
Nonvested at December 31, 2018	160,000	$ 1.04	1.0
Vested	(4,165)	1.04	
Forfeited	(13,000)	1.04	
Nonvested at March 31, 2019	142,835	$ 1.04	1.45

The fair value of the Company's common stock on March 31, 2019 was $1.15 per share. The intrinsic value on the non-vested restricted units as of March 31, 2019 was $164,260. Expense recognized on restricted stock units issued to employees during the three months ended March 31, 2019 was $32,465. As of March 31, 2019, future compensation related to restricted stock units expected to vest of $123,767 is estimated to be recognized over the weighted-average vesting period of approximately one year.

Stock Options

Under the 2011 Equity Incentive Plans, the Board determines the exercise price to be paid for the option shares, the period within which each option may be exercised, and the terms and conditions of each option. The exercise price of 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 exercise price of each share of an incentive stock option must be equal to or exceed 110% of fair market value. Unless otherwise determined by the Board at the time of grant, the exercise price is set at the fair market value of the Company's common stock on the grant date (or the last trading day prior to the grant date, if it is awarded on a non-trading day). Additionally, the term is set at ten years and the option typically vests on a straight-line basis over the requisite service period as follows: 25% one year from the date of grant with the remaining vesting monthly in equal increments over the following three years. The Company issues new shares for any stock awards or options exercised under its 2011 Equity Incentive Plans.

A summary of option activity under the 2011 Equity Incentive Plans for the three months ended March 31, 2019 is presented below:

Options Outstanding	Common Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2017	1,049,503	$ 5.97	6.0
Granted	156,084	1.60	
Expired	(63,013)	6.29	
Forfeited	(102,097)	6.66	
Outstanding at December 31, 2018	1,040,477	$ 5.23	6.5
Granted	30,542	1.46	
Forfeited	(38,924)	3.40	
Outstanding at March 31, 2019	1,032,095	$ 5.19	5.8
Exercisable at March 31, 2019	744,479	$ 5.89	4.6

During the three months ended March 31, 2019 and 2018, no options were exercised. The fair value of the Company's common stock on March 31, 2019 was $1.15 per share. The intrinsic value on outstanding options as of March 31, 2019 was $3,309. The intrinsic value on exercisable options as of March 31, 2019 was $227.

A summary of the nonvested stock option activity under the 2011 Equity Incentive Plans for the three months ended March 31, 2019 is presented below:

Nonvested Options	Common Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested at January 1, 2018	323,077	$ 2.64	2.7
Granted	156,084	0.96	
Vested	(137,206)	2.80	
Forfeited	(41,445)	2.88	
Nonvested at December 31, 2018	300,510	$ 0.80	2.4
Granted	30,542	0.91	
Vested	(28,871)	2.04	
Forfeited	(14,565)	1.84	
Nonvested at March 31, 2019	287,616	$ 1.20	2.2

Expense recognized on stock options issued to employees during the three months ended March 31, 2019 and 2018 was $89,998 and $112,883, respectively. Future compensation expense related to nonvested awards as of March 31, 2019 expected to vest of approximately $335,000 is estimated to be recognized over the weighted-average vesting period of approximately two years, two months.

Employee Stock Purchase Plan

At the Company's 2018 Annual Meeting of Stockholders held on December 18, 2018, stockholders holding a majority of the Company's outstanding shares of common stock, upon previous recommendation and approval of the Board, adopted the amended and restated IZEA Worldwide, Inc. 2014 Employee Stock Purchase Plan (the "ESPP"), which provides for the issuance of up to 500,000 shares of the Company's common stock thereunder. Any employee regularly employed by the Company for 90 days or more on a full-time or part-time basis (20 hours or more per week on a regular schedule) is eligible to participate in the ESPP. The ESPP operates in successive six months offering periods commencing at the beginning of each fiscal year half. Each eligible employee who elects to participate may purchase up to 10% of their annual compensation in common stock not to exceed $21,250 annually or 2,000 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 day of the offering period or (ii) 85% of the fair market value of a share of common stock on the last day of the offering period. The ESPP will continue until January 1, 2024, unless otherwise terminated by the Board. As of March 31, 2019, the Company had 437,228 remaining shares of common stock available for future grants under the ESPP.

Stock-based compensation cost related to all awards granted to employees is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. The Company estimates the fair value of each option award on the date of grant using a Black-Scholes option-pricing model that uses the assumptions stated in Note 1. Total stock-based compensation expense recognized on restricted stock, restricted stock units, stock options and stock purchase plan issuances during the three months ended March 31, 2019 and 2018 was $160,877 and $146,281, respectively. Stock-based compensation expense was recorded as $2,886 to cost of revenue, $6,336 to sales and marketing, and $151,655 to general and administrative expense in the Company's consolidated statement of operations during the three months ended March 31, 2019. Stock-based compensation expense was recorded as $3,706 to cost of revenue, $16,298 to sales and marketing, and $126,277 to general and administrative expense in the Company's consolidated statement of operations during the three months ended March 31, 2018.

NOTE 8. LOSS PER COMMON SHARE

Basic earnings (loss) per common share is computed by dividing the net income or loss by the basic weighted-average number of shares of common stock outstanding during each period presented. Although restricted stock is issued upon the grant of an award, the Company excludes restricted stock from the computations of weighted-average number of shares of common stock outstanding until such time as the stock vests. Diluted loss per share is computed by dividing the net income or loss by the sum of the total of the basic weighted-average number of shares of common stock outstanding plus the additional dilutive securities that could be exercised or converted into common shares during each period presented less the amount of shares that could be repurchased using the proceeds from the exercises.

	Three Months Ended March 31,	
	2019	2018
Net loss	$ (1,830,580)	$ (2,045,120)
Weighted average shares outstanding - basic and diluted	12,575,458	5,802,099
Basic and diluted loss per common share	$ (0.15)	$ (0.35)

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

	Three Months Ended March 31,	
	2019	2018
Stock options	1,032,095	1,045,264
Restricted stock units	142,385	—
Warrants	17,500	515,950
Total excluded shares	1,191,980	1,561,214

NOTE 9. REVENUE

The Company has consistently applied its accounting policies with respect to revenue to all periods presented in the unaudited consolidated financial statements contained herein. The following table illustrates the Company's revenue by product service type:

	Three Months Ended March 31,	
	2019	2018
Managed Services Revenue	$ 3,867,232	$ 3,796,665
Legacy Workflow Fees	47,330	60,705
Marketplace Spend Fees	374,653	2,843
License Fees	491,094	13,264
SaaS Services Revenue	913,077	76,812
Other Revenue	13,447	22,964
Total Revenue	$ 4,793,756	$ 3,896,441

Contract Balances

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

	March 31, 2019	December 31, 2018
Accounts receivable, net	$ 6,066,161	$ 7,071,815
Contract liabilities (unearned revenue)	$ 5,464,843	$ 4,957,869

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

Contract receivables are recognized when the receipt of consideration is unconditional. The Company did not recognize any contract assets as of March 31, 2019 or December 31, 2018. Contract liabilities relate to advance consideration received from customers under the terms of the Company's contracts, which will be earned in future periods.

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

Remaining Performance Obligations

The Company typically enters into contracts that are one year or less in length. As such, the remaining performance obligations at March 31, 2019 and December 31, 2018 are equal to the contract liabilities disclosed above. The Company expects to recognize the full balance of the unearned revenue at March 31, 2019 within the next year.

NOTE 10. BUSINESS SEGMENTS

Company management actively evaluates operations under the following two reportable business segments:

- *Managed Services*, which includes services to marketers to provide custom content, influencer marketing, amplification or other consulting services using the Company's internal resources, its network of creators and/or its technology platforms.

- *SaaS Services*, which includes services generated by the self-service use of the Company's technology platforms by marketers to manage their own influencer marketing campaigns, as well as license subscriptions to access the *IZEAx* and *TapInfluence* platforms. SaaS Services are associated with the following revenue types:
    - Marketplace Spend Fees
    - License Fees
    - Legacy Workflow Fees

The Company's reportable segments are strategic business units that may offer similar services, but under different revenue recognition guidance. They are managed separately because each segment requires marketing and oversight strategies, however, the Company's chief operating decision maker for each segment is currently evaluating operations on the basis of revenue only as the Company does not currently allocate specific cost of revenue, other operating costs, or assets to each segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies except that Company management evaluates performance based primarily on gross revenue and gross margin for all revenue streams, including revenue externally reported on a net basis for the Company's SaaS Services segment.

The following table provides the Company's measure of revenue for each reportable segment, and for other revenue. All other measures of Company profit and assets are reviewed on a consolidated basis.

	Three Months Ended March 31,	
	2019	2018
Managed Services Segment Revenue	$ 3,867,232	$ 3,796,665
SaaS Services Segment Revenue	913,077	76,812
Other Revenue	13,447	22,964
Total	$ 4,793,756	$ 3,896,441

The following table provides the Company's revenues as determined by the country of domicile:

	Three Months Ended March 31,	
	2019	2018
United States	$ 4,275,419	$ 3,405,628
Canada	518,337	490,813
Total	$ 4,793,756	$ 3,896,441

NOTE 11. SUBSEQUENT EVENTS

On May 10, 2019, the Company closed on its underwritten registered public offering of 14,285,714 shares of common stock at a public offering price of $0.70 per share, for total gross proceeds of approximately $10.0 million. The net proceeds, after the underwriting discount but before estimated expenses of the offering payable by the Company, were approximately $9.4 million. Mr. Edward Murphy, the Company's Chief Executive Officer and a Company director, and Mr. Troy J. Vanke, the Company's Chief Financial Officer, participated in the public offering and purchased 21,428 and 42,857 shares of stock, respectively.

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

Cautionary Note Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. The statements, which are not historical facts contained in this report, including those contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, and the notes to our unaudited consolidated financial statements, particularly those that utilize terminology such as "may," "will," "would," "could," "should," "expects," "anticipates," "estimates," "believes," "intends," "likely," "projects," "plans," "pursue," "strategy" or "future," or the negative of these words or other words or expressions of similar meaning, are forward-looking statements. Such statements are based on currently available operating, financial and competitive information, and are subject to inherent risks, uncertainties and changes in circumstances that are difficult to predict and many of which are outside of our control. Future events and our actual results and financial condition may differ materially from those reflected in these forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause these differences include, but are not limited to, the following:

- our ability to raise additional funding;
- our ability to issue shares to settle future acquisition costs payable;
- customer cancellations;
- our ability to maintain and grow our business;
- variability of operating results;
- our ability to establish effective disclosure controls and procedures and internal control over financial reporting;
- our ability to satisfy the requirements for continued listing of our common stock on the Nasdaq Capital Market;
- our ability to maintain and enhance our brand;
- our development and introduction of new products and services;
- the successful integration of acquired companies, technologies and assets into our portfolio of software and services;
- marketing and other business development initiatives;
- competition in the industry;
- general government regulation;
- economic conditions;
- dependence on key personnel;
- the ability to attract, hire and retain personnel who possess the technical skills and experience necessary to meet the service requirements of our customers;
- our ability to protect our intellectual property;
- the potential liability with respect to actions taken by our existing and past employees;
- risks associated with international sales;
- and the other risks and uncertainties described in the Risk Factors section of this Quarterly Report.

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

Company Overview

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

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

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

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

Key Components of Results of Operations

We measure revenue associated with our business under two reportable business segments; Managed Services and SaaS Services. Overall consolidated results of operations are evaluated based on Revenue, Cost of Revenue, Sales and Marketing expenses, General and Administrative expenses, Depreciation and Amortization, and Other Income (Expense), net.

Revenue

We generate revenue from five primary sources: (1) revenue from our managed services when a marketer (typically a brand, agency or partner) pays us to provide custom content, influencer marketing, amplification or other consulting services ("Managed Services"); (2) revenue from fees charged to self-service customers on their marketplace spend within our *IZEAx* and *TapInfluence* platforms ("Marketplace Spend Fees"); (3) revenue from fees charged to access the *IZEAx, Ebyline,* and *TapInfluence* platforms ("License Fees"); (4) revenue from transactions generated by the self-service use of our *Ebyline* platform for professional custom ("Legacy Workflow Fees"); and (5) revenue derived from other fees such as inactivity fees, early cash-out fees, and plan fees charged to users of our platforms ("Other").

As discussed in more detail within "Critical Accounting Policies and Use of Estimates" and in "Note 1. Company and Summary of Significant Accounting Policies," of this Quarterly Report, revenue from Marketplace Spend Fees and Legacy Workflow Fees is reported on a net basis and revenue from all other sources, including Managed Services, License Fees and Other are reported on a gross basis. We further categorize these sources into two primary operating segments, Managed Services and SaaS Services, which includes revenue from Marketplace Spend Fees, License Fees and Legacy Workflow Fees.

Cost of Revenue

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

Sales and Marketing

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

General and Administrative

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

Depreciation and Amortization

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

Other Income (Expense)

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

Other Income (Expense). Other income consists primarily of interest income for interest earned on our cash and cash equivalent balances and foreign currency exchange gains and losses on foreign currency transactions, primarily related to the Canadian Dollar.

Results of Operations for the Three Months Ended March 31, 2019 and 2018

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

	Three Months Ended March 31,			
	2019	2018	$ Change	% Change
Revenue	$ 4,793,756	$ 3,896,441	$ 897,315	23 %
Costs and expenses:				
Cost of revenue (exclusive of amortization)	2,099,291	2,163,142	(63,851)	(3)%
Sales and marketing	1,357,667	1,755,526	(397,859)	(23)%
General and administrative	2,612,054	1,615,222	996,832	62 %
Depreciation and amortization	436,224	265,455	170,769	64 %
Total costs and expenses	6,505,236	5,799,345	705,891	12 %
Loss from operations	(1,711,480)	(1,902,904)	191,424	(10)%
Other income (expense):				
Interest expense	(128,464)	(21,311)	(107,153)	503 %
Change in fair value of derivatives, net	—	(125,595)	125,595	(100)%
Other income, net	9,364	4,690	4,674	100 %
Total other income (expense), net	(119,100)	(142,216)	23,116	(16)%
Net loss	$ (1,830,580)	$ (2,045,120)	$ 214,540	(10)%

Revenue

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

	Three Months Ended March 31,					
	2019		2018		$ Change	% Change
Managed Services Revenue	$ 3,867,232	81%	$ 3,796,665	97%	$ 70,567	2 %
Legacy Workflow Fees	47,330	1%	60,705	2%	(13,375)	(22)%
Marketplace Spend Fees	374,653	8%	2,843	—%	371,810	13,078 %
License Fees	491,094	10%	13,264	—%	477,830	3,602 %
SaaS Services Revenue	913,077	19%	76,812	2%	836,265	1,089 %
Other Revenue	13,447	—%	22,964	1%	(9,517)	(41)%
Total Revenue	$ 4,793,756	100%	$ 3,896,441	100%	$ 897,315	23 %

Historically, we have invested the majority of our time and resources in our Managed Services business, which provides the majority of our revenue. Our acquisitions of Ebyline and ZenContent allowed us to expand our product offerings to provide custom content in addition to and in combination with our influencer marketing campaigns to expand our Managed Services. Our merger with TapInfluence provided a springboard for the SaaS Services segment and an immediate increase of market share in the marketplace spend and licensed fees on SaaS Services.

Revenue for the three months ended March 31, 2019 increased by $897,315, or approximately 23%, compared to the same period in 2018. This is primarily due to the July 2018 acquisition of TapInfluence.

Managed Services revenue improved by 2% over the same period in 2018, despite a significant decrease in our front-line sales personnel.

SaaS Services revenue is generated by the self-service use of our technology platforms by marketers to manage their own content workflow and influencer marketing campaigns. It consists of fees earned on the marketer's spend within the *IZEAx, TapInfluence* and *Ebyline* platforms, along with the license & support fees to access the platform services.

- *Legacy Workflow* revenue represents self-service transactions through the *Ebyline* platform for professional custom content workflow. This revenue is declining quarter over quarter due to the ongoing consolidation and cutbacks in the newspaper industry. Revenue from Legacy Workflow transactions decreased to $47,330 for the three months ended March 31, 2019, compared to $60,705 for same period in 2018. With the addition of TapInfluence and its SaaS revenue model and our modifications to *IZEAx* which now allows marketers to purchase custom content, in addition to sponsored posts, we have shifted our focus away from this platform and its content generated primarily for newspapers and traditional publishers, and expect Legacy Workflow revenue to continue to decline going forward.

- *Marketplace Spend Fees* revenue primarily results from marketers and partners using the *IZEAx*, and beginning in July 2018, the *TapInfluence* platforms on a SaaS basis to distribute content for marketing and influencer marketing campaigns. We increased our revenue from Marketplace Spend Fees by $371,810 for the three months ended March 31, 2019 when compared with the same period of 2018, primarily as a result of our merger with TapInfluence. Revenue from Marketplace Spend Fees represents our net margins received on this business.

- *License and Support Fees* revenue are generated primarily through the granting of limited, non-exclusive, non-transferable licenses to customers for the use of the *IZEAx* and *TapInfluence* technology platforms for an agreed-upon subscription period. Customers license the platforms to manage their own influencer marketing campaigns. Fees for subscription or licensing services are recognized straight-line over the term of the service. License Fees revenue increased significantly during the three months ended March 31, 2019 to $491,094, primarily as a result of the merger with TapInfluence, compared to $13,264 in the same period of the prior year.

Other revenue consists of other fees, such as inactivity fees, early cash-out fees, and plan fees charged to users of our platforms. These fees did not have a significant effect on our revenue for the three months ended March 31, 2019 and 2018.

Cost of Revenue

Our cost of revenue consists primarily of direct costs paid to our third-party creators who provide custom content and advertising and our internal personnel costs for those primarily responsible for fulfillment of our obligations under our Managed Services. Cost of revenue for the three months ended March 31, 2019 decreased by $63,851, or approximately 3%, compared to the same period in 2018. Cost of revenue as a percentage of revenue improved from 56% in 2018 to 44% in 2019, due to an increase of approximately $836,000 in our higher margin revenue from SaaS Services, which is recognized on a net basis.

Sales and Marketing

Sales and marketing expenses for the three months ended March 31, 2019 decreased by $397,859, or approximately 23%, compared to the same period in 2018. Our average number of sales, marketing and support personnel declined by almost 21% for the three months ended March 31, 2019 when compared with 2018 which, along with the decrease in variable compensation linked with sales performance, contributed to a reduction of approximately $434,000 in sales and marketing payroll and personnel related expenses.

General and Administrative

General and administrative expense for the three months ended March 31, 2019 increased by $996,832, or approximately 62%, compared to the same period in 2018. General and administrative expense for the three months ended March 31, 2019 includes a loss on the settlement of acquisition costs payable of $191,439 associated with our January 2019 payment related to the acquisition of TapInfluence. General and administrative expense for the three months ended March 31, 2018 includes a gain of $304,163 on the adjustment of acquisition costs to fair value. Adjusting for these one-time items, general and administrative expense for the three months ended March 31, 2019 increased by $501,232, or approximately 26%, compared to the same period in 2018. These increases in general and administrative expenses are generally due to higher payroll and personnel related costs for our administrative and development functions of approximately $133,000, increased professional services and recruiting spend of approximately $132,000, and an increase in software licensing and hosting fees of approximately $94,000 for additional AWS hosting costs and costs to upgrade our financial reporting software.

We capitalized software development costs of $346,789 during the three months ended March 31, 2019, which was $227,437 higher than in the prior year period. This increase in software development costs was directly attributable to the development of *IZEAx* 3.0, the upgraded platform released in April 2019.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended March 31, 2019 increased by $170,769, or approximately 64%, compared to the same period in 2018.

Depreciation and amortization expense on property and equipment was $38,477 and $56,038 for the three months ended March 31, 2019 and 2018, respectively. Depreciation expense has declined primarily due to certain assets becoming fully depreciated.

Amortization expense was $397,748 and $209,417 for the three months ended March 31, 2019 and 2018, respectively. Amortization expense related to intangible assets acquired in the Ebyline, ZenContent, and TapInfluence acquisitions was $322,907 and $135,795 for the three months ended March 31, 2019 and 2018, respectively. Amortization expense related to internal use software development costs was $74,842 and $73,622 for the three months ended March 31, 2019 and 2018, respectively.

Other Income (Expense)

Interest expense increased by $107,153 to $128,464 during the three months ended March 31, 2019 compared to the same period in 2018 primarily due higher interest rates and higher average amounts outstanding on our credit facility in 2018.

We recorded income of $125,595 resulting from the change in the fair value of restricted stock during the three months ended March 31, 2018.

The $4,674 increase in other income during the three months ended March 31, 2019 when compared to 2018 is primarily attributable to net currency exchange gains related to our Canadian transactions.

Net Loss

Net loss for the three months ended March 31, 2019 was $1,830,580, a $214,540 decrease in the net loss of $2,045,120 for the same period in 2018. The decrease in net loss was impacted primarily by the factors discussed previously.

Non-GAAP Financial Measures

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

Gross Billings by Segment

Company management evaluates its operations and makes strategic decisions based, in part, on gross billings from its two primary operating segments, Managed Services and SaaS Services. We define gross billings as the total dollar value of the amounts earned from our customers for the services we performed, or the amounts charged to our customers for their self-service purchase of goods and services on our platforms. Gross Billings are the amounts of our reported revenue plus the cost of payments we made to third-party creators providing the content or sponsorship services, which are netted against revenue for GAAP reporting purposes.

Gross billings for Managed Services is the same as revenue reported in our consolidated statements of operations on a GAAP basis, as there is no requirement to net the costs of revenue against the revenue. Gross billings for Marketplace Spend Fees (which are included in SaaS Services) differ from revenue reported in our consolidated statements of operations on a GAAP basis, which is presented net of the amounts we pay to our third-party creators providing the content or sponsorship services. Gross billings for all other revenue types equals the revenue reported in our consolidated statements of operations.

We consider gross billings to be an important indicator of our potential performance as it measures the total dollar volume of transactions generated through our marketplaces. Tracking gross billings allows us to monitor the percentage of gross billings that we are able to retain after payments to our creators. Additionally, tracking gross billings is critical as it pertains to our credit risk and cash flow. We invoice our customers based on our services performed or based on their self-service transactions plus our fee. Then we remit the agreed-upon transaction price to the creators. If we do not collect the money from our customers prior to the time of payment to our creators, we could experience large swings in our cash flows. Finally, gross billings allows us to evaluate our transaction totals on an equal basis in order for us to see our contribution margins by revenue stream so that we can better understand where we should be allocating our resources.

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

	Three Months Ended March 31,					
	2019		2018		$ Change	% Change
Managed Services Revenue	$ 3,867,232	49%	$ 3,796,665	81%	$ 70,567	2 %
Legacy Workflow	654,925	8%	871,812	19%	(216,887)	(25)%
Marketplace Spend	2,802,521	36%	5,655	—%	2,796,866	49,458 %
License Fees	491,094	6%	13,264	—%	477,830	3,602 %
SaaS Services Gross Billings	3,948,540	50%	890,731	18%	3,057,809	343 %
Other Revenue	13,447	—%	22,964	—%	(9,517)	(41)%
Total Gross Billings	$ 7,829,219	100%	$ 4,710,360	100%	$ 3,118,859	66 %

Gross billings for our SaaS Services segment were $3,948,540 for the three months ended March 31, 2019, an increase of $3,057,809 compared to the same period in 2018. The increase was primarily due to the addition of TapInfluence in July 2018. We expect our merger with TapInfluence to have a continuing significant positive impact on our future gross billings in our SaaS Services segment as we build on the significant marketer base obtained from the merger, offset by the phasing out of our Legacy Workflow activity.

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

	Three Months Ended March 31,			
	2019	2018	$ Change	% Change
Revenue	$ 4,793,756	$ 3,896,441	$ 897,315	23%
Plus payments made to third-party creators [1]	3,035,463	813,919	2,221,544	273%
Gross billings	$ 7,829,219	$ 4,710,360	$ 3,118,859	66%

(1) Payments made to third-party creators for the Legacy Workflow and Marketplace Spend components of our revenue reported on a net basis for GAAP.

Adjusted EBITDA

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

We use Adjusted EBITDA as a measure of operating performance, for planning purposes, to allocate resources to enhance the financial performance of our business, and in communications with our Board of Directors regarding our financial performance. We believe that Adjusted EBITDA also provides useful information to investors as it excludes transactions not related to our core cash operating business activities, and it provides consistency and facilitates period-to-period comparisons. 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 Adjusted EBITDA in the same manner, and Adjusted EBITDA as presented by us may not be comparable to Adjusted EBITDA presented by other companies, which limits its usefulness as a comparative measure.

Moreover, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for an analysis of our results of operations as under GAAP. These limitations are that Adjusted EBITDA:

- does not include stock-based compensation expense, which is a non-cash expense, but has been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- does not include stock issued for payment of services, which is a non-cash expense, but has been, and is expected to be for the foreseeable future, an important means for us to compensate our directors, vendors and other parties who provide us with services;
- does not include changes in acquisition cost estimates as a result of the allocation of acquisition costs payable to compensation expense or changes in the estimate of contingent acquisition costs payable, which may or may not ever be paid, but may be a significant recurring expense for our business if we continue to make business acquisitions;
- does not include gains or losses on the settlement of acquisition costs payable or liabilities when the stock value, as agreed upon in the agreement, varies from the market price of our stock on the settlement date. This is a non-cash expense, but will continue to be a recurring expense for our business on certain business contracts where the amounts can vary;
- does not include unusual or expected non-recurring items such as large litigation reserves;
- does not include depreciation and intangible assets amortization expense, impairment charges and gains or losses on disposal of equipment, which is not always a current period cash expense, but the assets being depreciated and amortized may have to be replaced in the future; and
- does not include changes in fair value of derivatives, interest expense and other gains, losses, and expenses that we believe are not indicative of our ongoing core operating results, but these items may represent a reduction or increase in cash available to us.

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

these non-GAAP financial measures should also not be construed to infer that our future results will be unaffected by unusual or non-recurring items.

The following table sets forth a reconciliation from the GAAP measurement of net loss to our non-GAAP financial measure of Adjusted EBITDA for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Net loss	$ (1,830,580)	$ (2,045,120)
Non-cash stock-based compensation	160,877	146,281
Non-cash stock issued for payment of services	37,498	28,671
(Gain) loss on disposal of equipment	(515)	853
Loss on settlement of acquisition costs payable	191,439	—
Increase (decrease) in value of acquisition costs payable	2,664	(393,094)
Depreciation and amortization	436,224	265,455
Interest expense	128,464	21,311
Change in fair value of derivatives	—	125,595
Adjusted EBITDA	$ (873,929)	$ (1,850,048)

Liquidity and Capital Resources

We had cash and cash equivalents of $2,315,186 as of March 31, 2019 as compared to $1,968,403 as of December 31, 2018, an increase of $346,783 primarily due to collections of accounts receivable during the quarter. We have incurred significant net losses and negative cash flow from operations for most periods since our inception, which has resulted in a total accumulated deficit of $54,925,229 as of March 31, 2019. To date, we have financed our operations through internally generated revenue from operations, the sale of our equity securities and borrowings under our line of credit.

Cash provided by operating activities was $885,199 during the three months ended March 31, 2019 and is the result of the net conversion of working capital into cash. Cash used for investing activities was $346,185 during the three months ended March 31, 2019 primarily due to the payment of $346,789 related to the development of our proprietary software and purchases of $2,383 for updated computer and office equipment. Cash used in financing activities during the three months ended March 31, 2019 was $192,231.

Acquisition Obligations

On July 31, 2016, we entered into a Stock Purchase Agreement (the "ZenContent Stock Purchase Agreement") with ZenContent, Inc. ("ZenContent"), pursuant to which we purchased all of the outstanding shares of capital stock of ZenContent. On July 30, 2019, we will be required to make the third and final annual installment payment of $333,334 in the form of either cash or additional shares of our common stock (determined at our option) as long as at least a minimum of 33% is paid in the form of cash. We are also required to pay $45,000 in cash or stock, at our option, on or before November 1, 2019 in settlement of the final contingent performance payment.

On July 26, 2018, we completed our merger with TapInfluence. Pursuant to the merger agreement, we will pay former TapInfluence stockholders an additional $4,500,000, less any final working capital adjustments, in the form of cash, common stock or a combination thereof, at our option, in two installments - $1,000,000 six months after the closing date and $3,500,000 twelve months after the closing date of the merger. On January 26, 2019, we paid the first installment of $884,583 ($1,000,000 less the final working capital adjustment of $115,416) using 660,136 shares of our common stock valued at $1.34 per share, using a thirty (30) trading day volume-weighted average closing price as reported by the Nasdaq Capital Market prior to the issuance date. We recorded a $191,439 loss on the settlement of this acquisition cost payable as a result of the difference between the actual closing market price of the common stock of $1.63 on the settlement date and the 30-day average price of the common stock of $1.34 required by the Merger Agreement.

If we continue to issue stock rather using cash to settle the above obligations, this may result in the future issuance of substantial and currently indeterminable amount of shares, because the number of shares will be determined using the thirty (30) trading day volume-weighted average closing price of our common stock prior to the payment.

Secured Credit Facility

We have a secured credit facility agreement with Western Alliance Bank, the parent company of Bridge Bank, National Association. Pursuant to this agreement, we may submit requests for funding up to 80% of our eligible accounts receivable up to a maximum credit limit of $5 million. Effective August 30, 2018, as a result of IZEA's merger with TapInfluence, we entered into a Business Financing Modification Agreement and Consent with Western Alliance Bank to add TapInfluence as an additional borrower on the credit facility. As of March 31, 2019,we had $1,336,247 outstanding under this agreement. Assuming that all of our accounts receivable balance was eligible for funding, we had remaining available credit of $3,516,682 under the agreement as of March 31, 2019.

Financial Condition

With the cash on hand at March 31, 2019, along with our available credit line with Western Alliance Bank, we expect to have sufficient cash reserves and financing sources available to cover expenses at least one year from the issuance of this Quarterly Report; however, management's plans to continue as a going concern include raising additional capital through sales of equity securities as well as borrowing. Futhermore, we intend to rely on our ability to issue shares of our common stock to pay our future obligations relating to our acquisitions of ZenContent and TapInfluence as they become due in July 2019.

Off-Balance Sheet Arrangements

As of March 31, 2019, we did not engage in any activities involving variable interest entities or off-balance sheet arrangements.

Critical Accounting Policies and Use of Estimates

We prepare our financial statements in conformity with accounting principles generally accepted in the United States ("GAAP"). Certain of our accounting policies require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments will be subject to an inherent degree of uncertainty. Our judgments are based upon the historical experience of the Company, terms of existing contracts, observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. For a summary of our significant accounting policies, please refer to Note 1 — Company and Summary of Significant Accounting Policies included in this Quarterly Report. We consider accounting estimates to be critical accounting policies when:

- The estimates involve matters that are highly uncertain at the time the accounting estimate is made; and
- different estimates or changes to estimates could have a material impact on the reported financial position, changes in financial position, or results of operations.

When more than one accounting principle, or method of its application, is generally accepted, we select the principle or method that we consider to be the most appropriate when given the specific circumstances. Application of these accounting principles requires us to make estimates about the future resolution of existing uncertainties. Due to the inherent uncertainty involving estimates, actual results reported in the future may differ from our estimates. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of the financial statements.

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are customer obligations due under normal trade terms. We consider an account to be delinquent when the customer has not paid its balance due by the associated due date. Uncollectibility of accounts receivable is not significant since most customers are bound by contract and are required to fund us for all the costs of an “opportunity,” defined as an order created by a marketer for a creator to develop or share content on behalf of a marketer. If a portion of the account balance is deemed uncollectible, we will either write-off the amount owed or provide a reserve based on our best estimate of the uncollectible portion of the account. Management estimates the collectibility of accounts by regularly evaluating individual customer receivables and considering a customer’s financial condition, credit history and current economic conditions. We have a reserve of $248,250 for doubtful accounts as of March 31, 2019. 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 each of the three months ended March 31, 2019 and 2018.

Concentrations of credit risk with respect to accounts receivable were typically limited, because a large number of geographically diverse customers make up our customer base, thus spreading the trade credit risk. However, with our acquisition of TapInfluence, we have increased credit exposure on certain customers who carry significant credit balances related to their Marketplace Spend. We control credit risk through credit approvals, credit limits and monitoring procedures. We perform credit evaluations of our customers, but generally do not require collateral to support accounts receivable. We had one customer that accounted for 23% of total accounts receivable at March 31, 2019 and two customers that together accounted for 36% at December 31, 2018.

Software Development Costs and Acquired Intangible Software

In accordance with Accounting Standards Codification (“ASC”) 350-40, *Internal Use Software,* we capitalize certain internal use software development costs associated with creating and enhancing internally developed software related to our platforms. Software development activities generally consist of three stages (i) the research and planning stage, (ii) the application and development stage, and (iii) the post-implementation stage. Costs incurred in the research and planning stage and in the post-implementation stage of software development, or other maintenance and development expenses that do not meet the qualification for capitalization, are expensed as incurred. Costs incurred in the application and infrastructure development stage, including significant enhancements and upgrades, are capitalized. These costs include personnel and related employee benefits expenses for employees or consultants who are directly associated with and who devote time to software projects, and external direct costs of materials obtained in developing the software. We have capitalized $2,663,304 to software development costs in the consolidated balance sheet as of March 31, 2019. We also acquired additional proprietary software platforms valued at $1,130,000 during our acquisitions of *Ebyline*, *ZenContent* and *TapInfluence*. These costs are reflected as intangible assets in the consolidated balance sheet as of March 31, 2019. We do not transfer ownership of our software to third

parties. These software development and acquired technology costs are amortized on a straight-line basis over the estimated useful life of five years upon initial release of the software or additional features.

Goodwill and Business Combinations

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

We perform our annual impairment tests of goodwill as of October 1 of each year, or more frequently, if certain indicators are present. Goodwill is required to be tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below the operating segment level, which is referred to as a component. Management identifies its reporting units by assessing whether components (i) have discrete financial information available; (ii) engage in business activities; and (iii) whether a segment manager regularly reviews the component's operating results. Net assets and goodwill of acquired businesses are allocated to the reporting unit associated with the acquired business based on the anticipated organizational structure of the combined entities. If two or more components are deemed economically similar, those components are aggregated into one reporting unit when performing the annual goodwill impairment review. We have determined that prior to and after the acquisition of Ebyline and ZenContent, we had one reporting unit. Subsequent to the merger with TapInfluence, we have determined that we have two reporting units.

Revenue Recognition

We generate revenue from five primary sources: (1) revenue from our managed services when a marketer (typically a brand, agency or partner) pays us to provide custom content, influencer marketing, amplification or other consulting services (“Managed Services”); (2) revenue from fees charged to self-service customers on their marketplace spend within our *IZEAx* and *TapInfluence* platforms (“Marketplace Spend Fees”); (3) revenue from fees charged to access the *IZEAx, Ebyline,* and *TapInfluence* platforms (“License Fees”); (4) revenue from transactions generated by the self-service use of our *Ebyline* platform for professional custom (“Legacy Workflow Fees”); and (5) revenue derived from other fees such as inactivity fees, early cash-out fees, and plan fees charged to users of our platforms (“Other”).

The Company recognizes revenue in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). Under ASC 606, revenue is recognized based on a five-step model which are as follows: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) performance obligations are satisfied. The core principle of ASC 606 is that revenue is recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We apply the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within each contract and determines those that are distinct performance obligations. We also determine whether we act as an agent or a principal for each identified performance obligation. The determination of whether we act as the principal or the agent is highly subjective and requires us to evaluate a number of indicators individually and as a whole in order to make its determination. For transactions in which we act as a principal, revenue is reported on a gross basis as the amount paid by the marketer for the purchase of content or sponsorship, promotion and other related services and we record the amounts we pay to third-party creators as cost of revenue. For transactions in which we act as an agent, revenue is reported on a net basis as the amount we charged to the self-service marketer using our platforms, less the amounts paid to the third-party creators providing the service.

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

and transaction history. The allocation of the transaction price to the performance obligations in the contract is based on a cost-plus methodology.

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

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

License Fee revenue is generated through the granting of limited, non-exclusive, non-transferable licenses to customers for the use of the *IZEAx* and *TapInfluence* technology platforms for an agreed-upon subscription period. Customers license the platforms to manage their own influencer marketing campaigns. Fees for subscription or licensing services are recognized straight-line over the term of the service.

Other Fee revenue is generated when fees are charged to customers primarily related to monthly plan fees, inactivity fees, and early cash-out fees. Plan fees are recognized within the month they relate to, and inactivity and early cash-out fees are recognized at a point in time when the account is deemed inactive or a cash-out below certain minimum thresholds is requested.

Changes in how we control and manage our platforms, our contractual terms, our business practices, or other changes in accounting standards or interpretations, may change the reporting of our revenue.

Stock-Based Compensation

Stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. We estimate the fair value of each stock option as of the date of grant using the Black-Scholes pricing model. Options typically vest ratably over four years with one-fourth of options vesting one year from the date of grant and the remaining options vesting monthly, in equal increments over the remaining three-year period and generally have five or ten-year contract lives. We use the closing stock price of our common stock on the date of the grant as the associated fair value of our common stock. We estimate the volatility of our common stock at the date of grant based on the volatility of comparable peer companies that are publicly traded and have had a longer trading history than us. We determine the expected life based on historical experience with similar awards, giving consideration to the contractual terms, vesting schedules and post-vesting forfeitures. We use the risk-free interest rate on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term approximately equal to the expected life of the award. We have never paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. We estimate forfeitures when recognizing compensation expense and this estimate of forfeitures is adjusted over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment, which is recognized in the period of change, and a revised amount of unamortized compensation expense to be recognized in future periods.

The following table shows the number of stock options granted under our 2011 Equity Incentive Plans and the assumptions used to determine the fair value of those options during the year ended December 31, 2018 and the three months ended March 31, 2019:

Period ended	Total Options Granted	Weighted Average Exercise Price	Weighted Average Expected Term	Weighted Average Volatility	Weighted Average Risk-Free Interest Rate	Weighted Average Grant Date Fair Value
December 31, 2018	156,084	$1.60	6.0 years	108.49%	2.71%	$0.96
March 31, 2019	30,542	$1.46	6.0 years	63.37%	2.52%	$0.91

There were outstanding options to purchase 1,032,095 shares with a weighted average exercise price of $5.19 per share, of which options to purchase 744,479 shares were exercisable with a weighted average exercise price of $5.89 per share as of March 31, 2019. The intrinsic value on outstanding options as of March 31, 2019 was $3,309. The intrinsic value on exercisable options as of March 31, 2019 was $227.

As of March 31, 2019, we had outstanding unvested restricted stock units of 142,835 shares with an intrinsic value of $164,260.

Recent Accounting Pronouncements

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

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4 – CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

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

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, an evaluation was performed under the supervision and with the participation of our management including our principal executive officer and principal financial officer to determine the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2019. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit 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 our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures. Given that the remediation of material weakness outlined below has not been completed and tested, our principal executive and principal financial officers concluded that our disclosure controls and procedures were not effective as of March 31, 2019.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with the 2017 year-end financial statement close and preparation of the corresponding 2017 Annual Report during early 2018, management determined that there were errors in our financial statements issued prior to 2017 related to our presentation of revenue related to the self-service Content Workflow portion of our revenue and our classification of cost of revenue related to our Managed Services. This conclusion resulted in the restatement of certain 2015 and 2016 Consolidated Financial Statements in our 2017 Annual Report on Form 10-K. At that time, we determined that we have a material weakness in the evaluation of the application of generally accepted accounting principles for our contractual arrangements with customers, more specifically the method of revenue recognition and the identification and classification of the costs of our services.

Because the remediation plans associated with this material weakness are still in process of being verified and tested, management concluded that we did not maintain effective internal control over financial reporting as of March 31, 2019.

Remediation of Material Weakness

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

Changes in Internal Control over Financial Reporting

As a smaller reporting company, our Chief Financial Officer plays a critical role in our control environment, both at the entity level and at the transactional level. During the quarter ended March 31, 2019, our former Chief Financial Officer left the Company and we hired a new Chief Financial Officer. Other than this change in our finance leadership, 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, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

A securities class action lawsuit, *Julian Perez, individually, and on behalf of all others similarly situated v. IZEA, Inc., et al*., case number 2:18-cv-02784-SVW-GJS was instituted April 4, 2018 in the U.S. District Court for the Central District of California against us and certain of our executive officers on behalf of certain purchasers of our common stock. The plaintiffs seek to recover damages for investors under federal securities laws. We believe that the plaintiffs' allegations are without merit and we intend to continue to vigorously defend against the claims. However, based upon currently available information and review with outside counsel, the Company has estimated and accrued a potential loss of $500,000 representing its deductible on the associated insurance coverage.

On April 15, 2019, a stipulation of settlement was filed in the U.S. District Court for the Central District of California that contained settlement terms as agreed upon by us and the other parties to the Perez class action lawsuit described above. The settlement terms as agreed upon by the parties include that, within 15 business days of execution of the stipulation of settlement, IZEA's insurer will deposit $250,000 into the settlement fund. Within 20 business days of entry of the Court's order of preliminary approval, our insurer will make a payment of $550,000 and we will pay the remainder of the Company's previously accrued insurance deductible ($400,000) into escrow to be used as settlement funds, inclusive of lead plaintiff awards and lead counsel fees. The settlement is subject to approval by the U.S. District Court, and the plaintiff has filed a motion for preliminary approval of the settlement which the court entered on May 8, 2019. Upon final approval by the Court, the settlement will require that the Perez lawsuit be dismissed with prejudice. In the event that the Court does not approve the settlement, we intend to vigorously defend against the claims.

On July 3, 2018, a shareholder derivative lawsuit, *Korene Stuart v. Edward H. Murphy et al.*, case number A-18-777135-C was instituted in the Eighth Judicial District Court of the State of Nevada, Clark County against certain executive officers and members of the Board of Directors for IZEA. IZEA has been named as a nominal defendant. The plaintiff seeks to recover damages on behalf of the Company for purported breaches of the individual defendants' fiduciary duties as directors and/or officers of IZEA, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets in violation of state common law.

Additionally, on October 19, 2018, a shareholder derivative lawsuit, *Dennis E. Emond v. Edward H. Murphy et al.*, case number 2:18-cv-9040, was instituted in the U.S. District Court for the Central District of California against certain executive officers and members of the Board of Directors for IZEA. IZEA has been named as a nominal defendant. An amended complaint was filed on October 31, 2018. The plaintiff seeks to recover damages on behalf of the Company for purported breaches of the individual defendants' fiduciary duties as directors and/or officers of IZEA, and gross mismanagement, and under federal securities laws.

On March 6, 2019, a stipulation of settlement was filed in the United States District Court for the Central District of California that contained settlement terms as agreed upon by the parties to the Stuart and Emond shareholder derivative lawsuits described above. The settlement terms as agreed upon by the parties include that IZEA will direct its insurers to make a payment of $300,000 as a fee and service award to the plaintiffs and their counsel in the Emond and Stuart lawsuits and further that IZEA will enact certain corporate governance reforms. The settlement is subject to approval by the United States District Court for the Central District of California, and the plaintiff has filed a motion for preliminary approval of the settlement which is scheduled to be heard by the Court on May 13, 2019. Upon final approval by the Court, the settlement will require that both the Emond and Stuart lawsuits be dismissed with prejudice. In the event that the Court does not approve the settlement, we intend to vigorously defend against the claims.

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

ITEM 1A – RISK FACTORS

In addition to the information set forth in this report, you should carefully consider the factors discussed under Item 1A of Part I to our Annual Report on Form 10-K for the year ended December 31, 2018 regarding the numerous and varied risks, known and unknown, that may prevent us from achieving our goals. If any of these risks actually occur, our business,

financial condition or results of operation may be materially and adversely affected. In such case, the trading price of our common stock could decline, and investors could lose all or part of their investment. These risk factors may not identify all risks that we face, and our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Risks Related to our Business and Industry

We have been named as a defendant in a securities class action lawsuit and other shareholder derivative lawsuits relating to an error in the presentation of revenues and classification of expenses in certain financial statements issued in prior years. This litigation, and any other similar or related claims or investigations, could result in substantial damages and cost and may divert management's time and attention from our business.

A securities class action lawsuit, *Julian Perez, individually, and on behalf of all others similarly situated v. IZEA, Inc., et al*., case number 2:18-cv-02784-SVW-GJS was instituted April 4, 2018 in the U.S. District Court for the Central District of California against us and certain of our executive officers on behalf of certain purchasers of our common stock. The plaintiffs seek to recover damages for investors under federal securities laws. We believe that the plaintiffs' allegations are without merit and we intend to continue to vigorously defend against the claims. Based upon currently available information and review with outside counsel, the Company has estimated and accrued a potential loss of $500,000 representing its deductible on associated insurance coverage.

On April 15, 2019, a stipulation of settlement was filed in the U.S. District Court for the Central District of California that contained settlement terms as agreed upon by us and the other parties to the Perez class action lawsuit described above. The settlement terms as agreed upon by the parties include that, within 15 business days of execution of the stipulation of settlement, IZEA's insurer will deposit $250,000 into the settlement fund. Within 20 business days of entry of the Court's order of preliminary approval, our insurer will make a payment of $550,000 and we will pay the remainder of the Company's previously accrued insurance deductible ($400,000) into escrow to be used as settlement funds, inclusive of lead plaintiff awards and lead counsel fees. The settlement is subject to approval by the U.S. District Court, and the plaintiff has filed a motion for preliminary approval of the settlement which the court entered on May 8, 2019. Upon final approval by the Court, the settlement will require that the Perez lawsuit be dismissed with prejudice. In the event that the Court does not approve the settlement, we intend to vigorously defend against the claims.

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These lawsuits, and any other similar or related claims or investigations, could result in the diversion of management's time and attention away from business operations, which could harm our business and also harm our relationships with existing customers, vendors and business partners. The lawsuits may also materially damage our

reputation and the value of our brand. Our legal expenses incurred in defending the lawsuits, and any other similar or related matters, could be significant, and a ruling against us, or any settlement, could have a material adverse effect on us.

There can be no assurance that any litigation to which we are, or in the future may become, a party will be resolved in our favor. These lawsuits and any other lawsuits that we may become party to are subject to inherent uncertainties, and the costs to us of defending litigation matters will depend upon many unknown factors. Any claim that is successfully decided against us may require us to pay substantial damages, including punitive damages, and other related fees. We may also determine that a settlement of one or more of the actions is in the best interest of the company and its shareholders.

Regardless of whether lawsuits are resolved in our favor or if we are the plaintiff or the defendant in the litigation, any lawsuits to which we are or may become a party will likely be expensive and time consuming to defend or resolve.

We are continuing to develop our IZEAx platform and are in the process of transitioning certain features and customers from our legacy Ebyline, ZenContent and TapInfluence platforms. Our updated IZEAx platform may not achieve sufficient market acceptance to be commercially viable for open marketplace or SaaS services.

We are continuing to develop our primary platform, *IZEAx,* and we intend to focus the majority of our engineering resources on the *IZEAx* platform for the foreseeable future. In April 2019, we released version 3.0 of *IZEAx,* which allows marketers to make offers that require a single creator to complete multiple tasks or deliverables. The new version also allows users to source multiple creators to produce a combined deliverable for the end-marketer. Throughout the remainder of 2019, we plan to continue to add additional features to support SaaS white-label partners and integrate the *Ebyline, ZenContent* and *TapInfluence* platform offerings for custom content services within our *IZEAx* platform. We are spending a significant amount of time and resources on the development of this platform, and we cannot provide any assurances of its short or long-term commercial success or growth. 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.

The *Ebyline* platform is naturally declining as we are dedicating resources to the continuation and development of our *IZEAx* platform. We are working towards merging the two platforms and there is a risk that the merging of our Ebyline customers into *IZEAx* will result in a further decrease in revenue related to the self-service Content Workflow business if the customers do not understand the changes or do not believe that the *IZEAx* platform can provide them with a similar or improved service from what they received in the *Ebyline* platform.

Additionally, there is a risk that existing creators registered under our *Ebyline, ZenContent* and *TapInfluence* platforms will either not migrate or will not participate and accept offers after their migration into *IZEAx*. If our marketers 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 marketers 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.

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

On January 26, 2019, pursuant to our merger agreement with TapInfluence, we issued 660,136 shares of our common stock valued at $884,583, or $1.34 per share, using a 30-trading day volume-weighted average closing price as reported by The Nasdaq Capital Market prior to the issuance date.

The foregoing issuance of shares were made in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable

ITEM 5 - OTHER INFORMATION

Not applicable.

ITEM 6 – EXHIBITS

Exhibit Number		Description
3.1		Amended and Restated Articles of Incorporation of IZEA, Inc., filed with the Nevada Secretary of State on November 28, 2011 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on November 23, 2011).
3.2		Certificate of Change of IZEA, Inc., filed with the Nevada Secretary of State on July 30, 2012 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on August 1, 2012).
3.3		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 Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 18, 2014).
3.4		Certificate of Withdrawal of Certificate of Designation filed with the Secretary of State of the State of Nevada effective January 23, 2015 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 29, 2015).
3.5		Certificate of Amendment filed with the Secretary of State of the State of Nevada effective January 11, 2016 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 12, 2016).
3.6		Amended and Restated Bylaws of IZEA, Inc. (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on November 23, 2011).
3.7		Certificate of Designation (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 27, 2011).
3.8		Articles of Merger of IZEA Innovations, Inc. filed with the Secretary of State of the State of Nevada effective April 5, 2016 (Incorporated by reference to Exhibit 3.11 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 11, 2016).
3.9		Articles of Merger of IZEA Worldwide, Inc. filed with the Secretary of State of the State of Nevada effective August 20, 2018 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on August 23, 2018).
10.1	(a)	Employment Agreement between IZEA Worldwide, Inc. and Troy J. Vanke effective February 18, 2019 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 7, 2019).
10.2	(a)	Employment Agreement between IZEA Worldwide, Inc. and Edward H. Murphy effective April 21, 2019 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 24, 2019).
31.1	*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	*	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	* (b)	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	* (b)	Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	* (c)	The following materials from IZEA Worldwide, Inc.'s Quarterly Report for the quarter ended March 31, 2019 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Unaudited Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Operations, (iii) the Unaudited Consolidated Statement of Stockholders' Equity, (iv) the Unaudited Consolidated Statements of Cash Flow, and (iv) Notes to the Unaudited Consolidated Financial Statements.

* Filed or furnished herewith.

(a) Denotes management contract or compensatory plan or arrangement.

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

(c) In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K 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.

SIGNATURES

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

IZEA Worldwide, Inc.
a Nevada corporation

May 14, 2019	By:	/s/ Edward H. Murphy Edward H. Murphy Chairman, President and Chief Executive Officer (Principal Executive Officer)
May 14, 2019	By:	/s/ Troy J. Vanke Troy J. Vanke Chief Financial Officer (Principal Financial and Accounting Officer)