As filed with the Securities and Exchange Commission on May 7, 2010

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ORACLE CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

and the additional registrant listed on the following page

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**54-2185193** **(I.R.S. Employer Identification Number)**

500 Oracle Parkway

Redwood City, California 94065

(650) 506-7000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Dorian Daley

Senior Vice President,

General Counsel and Secretary

Oracle Corporation

500 Oracle Parkway

Redwood City, California 94065

(650) 506-7000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copy to:

Bruce K. Dallas

Sarah K. Solum

Davis Polk & Wardwell LLP

1600 El Camino Real

Menlo Park, California 94025

(650) 752-2000

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. x

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

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

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

Title of Shares to be Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock Preferred Stock Debt Securities Warrants Purchase Contracts Units	(1)	(2)

(1) An indeterminate amount of securities to be offered from time to time at indeterminate prices is being registered pursuant to this registration statement.
(2) The registrant is deferring payment of the registration fee pursuant to Rule 456(b) and is omitting this information in reliance on Rule 456(b) and Rule 457(r).

The Company is filing this registration statement to replace its registration statement (No. 333-142796), which is expiring pursuant to Rule 415(a)(5). In accordance with Rule 415(a)(6), effectiveness of this Registration Statement will be deemed to terminate the expiring registration statement.

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PROSPECTUS

ORACLE CORPORATION

The following are types of securities that may be offered and sold by Oracle Corporation or by selling security holders under this prospectus from time to time:

Common stock	Warrants
Preferred stock	Purchase contracts
Debt securities	Units

The securities may be offered by us or by selling security holders in amounts, at prices and on terms determined at the time of the offering. The securities may be sold directly to you, through agents, or through underwriters and dealers. If agents, underwriters or dealers are used to sell the securities, we will name them and describe their compensation in a prospectus supplement. You should read this prospectus and any prospectus supplement carefully before you invest.

We will describe in a prospectus supplement, which must accompany this prospectus, the securities we are offering and selling, as well as the specific terms of the securities. Those terms may include:

Maturity	Redemption terms	Liquidation amount
Interest rate	Listing on a security exchange	Subsidiary guarantees
Currency of payments	Amount payable at maturity	Sinking fund terms
Dividends	Conversion or exchange rights	

Our Common Stock is quoted on the NASDAQ Global Select Market under the ticker symbol ORCL.

Investing in these securities involves certain risks. You should review carefully the risks and uncertainties described under the heading Risk Factors contained in the applicable prospectus supplement and under similar headings in other documents which are incorporated by reference herein.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 7, 2010

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You should rely only on the information contained in, or incorporated by reference in, this prospectus or applicable prospectus supplement or free writing prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer or sale of the securities is not permitted. You should not assume that the information contained in or incorporated by reference in, this prospectus or any prospectus supplement or free writing prospectus is accurate as of any date other than their respective dates. Unless we have indicated otherwise, references in this prospectus to Oracle , we, us, and our refer to Oracle Corporation and not to any of its existing or future subsidiaries.

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ORACLE CORPORATION

Our Business

We are the world s largest enterprise software company. As a result of our acquisition of Sun Microsystems, Inc. in January 2010, we are also a leading provider of hardware systems products and services. We develop, manufacture, market, distribute and service database and middleware software, applications software and hardware systems, consisting primarily of computer server and storage products, which are designed to help our customers manage and grow their business operations.

We believe our internal, or organic, growth and continued innovation with respect to our products and services that we offer through our software, hardware systems and services businesses provide the foundation for our long-term strategic plan. We invest billions of dollars in research and development each year to enhance our existing portfolio of products and services and to develop new products, features and services. Our internally developed offerings have been enhanced by our acquisitions.

Oracle Corporation was incorporated in 2005 as a Delaware corporation and is the successor to operations originally begun in June 1977.

The principal executive offices of Oracle are located at 500 Oracle Parkway, Redwood City, California 94065, and the telephone number is (650) 506-7000. We maintain a website at www.oracle.com where general information about us is available. We are not incorporating the contents of the website into this prospectus.

About this Prospectus

This prospectus is part of a registration statement that we filed with the United States Securities and Exchange Commission (SEC) utilizing a shelf registration process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings from time to time.

This prospectus only provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading Where You Can Find More Information.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which interested persons can electronically access the registration statement including the exhibits and schedules thereto.

As permitted by the SEC s rules, this prospectus does not contain all the information that you can find in the registration statement or the exhibits to that statement. The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and all documents subsequently filed with the SEC pursuant to Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) prior to the termination of the offering under this prospectus:

(a) Current Reports on Form 8-K filed on June 3, 2009, June 23, 2009 (but not to the extent furnished and not filed), June 29, 2009, July 8, 2009, July 14, 2009, August 21, 2009, September 3, 2009, September 16, 2009 (but not to the extent furnished and not filed), October 8, 2009, November 10, 2009, December 17, 2009 (but not to the extent furnished and not filed), January 21, 2010, January 28, 2010, February 12, 2010, and March 25, 2010 (but not to the extent furnished and not filed) and our amended Current Report on Form 8-K/A filed on April 7, 2010;

(b) Quarterly Reports on Form 10-Q for the quarterly periods ended August 31, 2009, November 30, 2009, and February 28, 2010;

(c) Annual Report on Form 10-K for the year ended May 31, 2009;

(d) Portions of the Definitive Proxy Statement on Schedule 14A for the 2009 annual meeting of stockholders incorporated by reference in the Annual Report on Form 10-K for the year ended May 31, 2009; and

(e) The description of our common stock included in our registration statement on pages 101 through 102 of Form S-4, as amended (Reg. No. 333-129139), filed on December 29, 2005, including any amendments or reports filed for the purpose of updating such descriptions.

You may request a copy of these filings at no cost, by contacting our Investor Relations department by calling 650-506-4073, by writing to Investor Relations, Oracle Corporation, 500 Oracle Parkway, Redwood City, California 94065 or by sending an email to investor_us@oracle.com.

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SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus and documents that are incorporated by reference in this prospectus include forward-looking statements. Forward-looking statements may be preceded by, followed by or include the words believes, expects, anticipates, intends, plans, estimates or similar expre Oracle claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties, and assumptions about our business. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section entitled Risk Factors in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, incorporated by reference herein. You should understand that the following important factors, in addition to those discussed in the incorporated documents, could affect our future results, and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements:

Economic, political and market conditions, including the recent global economic and financial crisis, could adversely affect our business, operating results or financial condition, including our revenue growth and profitability, through reductions in customer IT budgets and expenditures and through the general tightening of access to credit;

We may fail to achieve our financial forecasts due to such factors as delays or size reductions in transactions, fewer large transactions in a particular quarter, unanticipated fluctuations in currency exchange rates, delays in delivery of new products or releases or a decline in our renewal rates for software license updates and product support;

Our entrance into the hardware systems business may not be successful, and we may fail to achieve our financial forecasts with respect to this new business;

We have an active acquisition program and our acquisitions, including our acquisition of Sun, may not be successful, may involve unanticipated costs or other integration issues or may disrupt our existing operations;

Our international sales and operations subject us to additional risks that can adversely affect our operating results, including risks relating to foreign currency gains and losses and risks relating to compliance with international and U.S. laws that apply to our international operations;

Intense competitive forces demand rapid technological advances and frequent new product introductions and could require us to reduce prices or cause us to lose customers; and

We cannot assure market acceptance of new products or services or new versions of existing or acquired products or services.

We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events. New information or future events may cause the forward-looking events we discuss in this prospectus not to occur.

USE OF PROCEEDS

We intend to use the net proceeds from the sale of securities issued pursuant to this registration statement for general corporate purposes which may include stock repurchases, repayment of indebtedness and future acquisitions. If we decide to use the net proceeds from a particular offering of securities for a specific purpose, we will describe that purpose in the related prospectus supplement.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for each of the periods indicated.

	Nine months ended February 28,		Year ended May 31,				
	2010	2009	2009	2008	2007	2006	2005
Ratio of earnings to fixed charges	10x	11x	13x	18x	17x	25x	25x

For purposes of calculating this ratio, the term earnings means the amounts resulting from the following: (a) our income before provision for income taxes, plus (b) the noncontrolling interests in the net income of our majority owned subsidiaries, plus (c) our fixed charges, less (d) our share of our equity investee s income before provision for income taxes. The term fixed charges means the amounts resulting from the following: (a) our interest expensed, plus (b) our estimate of the interest component of rent expense.

We do not report any shares of preferred stock outstanding in our consolidated financial statements because our outstanding preferred stock is owned by one or more of our wholly-owned subsidiaries. Our ratio of earnings to combined fixed charges and preferred dividends for any given period is equivalent to our ratio of earnings to fixed charges.

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DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock is based upon our restated certificate of incorporation, as amended (Restated Certificate of Incorporation), our bylaws, as amended (Bylaws) and applicable provisions of law. We have summarized certain portions of the Restated Certificate of Incorporation and Bylaws below. The summary is not complete. The Restated Certificate of Incorporation and Bylaws are incorporated by reference as exhibits to the registration statement of which this prospectus forms a part. You should read the Restated Certificate of Incorporation and Bylaws for the provisions that are important to you.

Certain provisions of the Delaware General Corporation Law (DGCL), the Restated Certificate of Incorporation and Bylaws summarized in the following paragraphs may have an anti-takeover effect. This may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interests, including those attempts that might result in a premium over the market price for the shares held by such stockholder.

Copies of the Restated Certificate of Incorporation and Bylaws are available upon request. Please see Where You Can Find More Information above.

Authorized Capital Stock

Under the Oracle Restated Certificate of Incorporation, Oracle s authorized capital stock consists of 11 billion shares of common stock, $0.01 par value, and 1 million shares of preferred stock, $0.01 par value. As of April 30, 2010, there were 5,029,522,697 shares of Oracle common stock issued and outstanding.

Common Stock

Oracle Common Stock Outstanding. The outstanding shares of our common stock are duly authorized, validly issued, fully paid and nonassessable. Our common stock is listed and principally traded on the NASDAQ Global Select Market under the symbol ORCL.

Voting Rights. Each holder of shares of our common stock is entitled to one vote for each share held of record on the applicable record date on all matters submitted to a vote of stockholders.

Dividend Rights. Subject to any preferential dividend rights granted to the holders of any shares of our preferred stock that may at the time be outstanding, holders of our common stock are entitled to receive dividends as may be declared from time to time by our board of directors out of funds legally available therefor.

Rights upon Liquidation. Holders of our common stock are entitled to share pro rata, upon any liquidation or dissolution of Oracle, in all remaining assets available for distribution to stockholders after payment or providing for our liabilities and the liquidation preference of any outstanding preferred stock.

Preemptive Rights. Holders of our common stock have no preemptive right to purchase, subscribe for or otherwise acquire any unissued or treasury shares or other securities.

Transfer Agent and Registrar. Mellon Investor Services LLC is the transfer agent and registrar for our common stock.

Preferred Stock

Under our Restated Certificate of Incorporation, without further stockholder action, our board of directors is authorized, subject to any limitations prescribed by the law of the State of Delaware, to provide for the issuance of the shares of preferred stock in one or more series, to establish from time to time the number of shares to be

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included in each such series, to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof, and to increase or decrease the number of shares of any such series (but not below the number of shares of such series then outstanding).

Certain Provisions of Our Restated Certificate of Incorporation and Bylaws

Our Bylaws vest the power to call special meetings of stockholders in our chairman of the board, our chief executive officer, our board of directors or stockholders holding shares representing not less than twenty percent of the outstanding votes entitled to vote at the meeting. Stockholders are permitted under our Restated Certificate of Incorporation to act by written consent in lieu of a meeting.

To be properly brought before an annual meeting of stockholders, any stockholder proposal or nomination for the board of directors must be delivered to our secretary not more than 120 and not less than 90 days prior to the date on which we first mailed our proxy materials for the prior year s annual meeting; provided that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the anniversary of the previous year s meeting, a stockholder s written notice will be timely if it is delivered by the later of the 90th day prior to such annual meeting or the 10th day following the announcement of the date of the meeting. Such notice must contain information specified in the Bylaws as to the director nominee or proposal of other business, information about the stockholder making the nomination or proposal and the beneficial owner, if any, on behalf of whom the nomination or proposal is made, including name and address, class and number of shares owned, and representations regarding the intention to make such a proposal or nomination and to solicit proxies in support of it. With respect to director nominees, we may require any proposed nominee to furnish information concerning his or her eligibility to serve as an independent director or that could be material to a reasonable stockholder s understanding of the independence of the nominee.

Certain Anti-Takeover Effects of Delaware Law

We are subject to Section 203 of the DGCL (Section 203). In general, Section 203 prohibits a publicly held Delaware corporation from engaging in various business combination transactions with any interested stockholder for a period of three years following the date of the transactions in which the person became an interested stockholder, unless:

- the transaction is approved by the board of directors prior to the date the interested stockholder obtained such status;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

- on or subsequent to such date the business combination is approved by the board and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 $^{2}/3$% of the outstanding voting stock which is not owned by the interested stockholder.

A business combination is defined to include mergers, asset sales, and other transactions resulting in financial benefit to a stockholder. In general, an interested stockholder is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of a corporation s voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to our company and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

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DESCRIPTION OF DEBT SECURITIES

This prospectus describes certain general terms and provisions of the debt securities. The debt securities will be issued under an indenture dated January 13, 2006 among Oracle Corporation (formerly known as Ozark Holding Inc.), Oracle Systems Corporation (formerly known as Oracle Corporation) and Citibank, N.A., as amended by a supplemental indenture dated as of May 9, 2007 by and among Oracle Corporation, Citibank, N.A. and The Bank of New York Trust Company, N.A. (subsequently renamed The Bank of New York Mellon Trust Company, N.A.), as trustee (the trustee), as may be further supplemented from time to time. The debt securities may be issued in one or more series established in or pursuant to a board resolution and set forth in an officers certificate or supplemental indenture. In accordance with the terms of the indenture, Oracle Systems Corporation is no longer an obligor under the indenture and will not be an obligor on any securities issued under the indenture unless explicitly stated in the prospectus supplement relating to such securities.

When we offer to sell a particular series of debt securities, we will describe the specific terms for the securities in a supplement to this prospectus. The prospectus supplement will also indicate whether the general terms and provisions described in this prospectus apply to a particular series of debt securities.

We have summarized certain terms and provisions of the indenture. The summary is not complete. The indenture has been incorporated by reference as an exhibit to the registration statement for these securities that we have filed with the SEC. You should read the indenture and applicable board resolution and officers certificate or supplemental indenture (including the form of debt security) relating to the applicable series of debt securities for the provisions which may be important to you. The indenture is subject to and governed by the Trust Indenture Act of 1939, as amended.

General

The indenture will not limit the amount of debt securities which we may issue. We have the right to reopen a previous issue of a series of debt securities by issuing additional debt securities of such series. We may issue debt securities up to an aggregate principal amount as we may authorize from time to time. The debt securities will be our unsecured obligations and will rank equally with all of our other unsecured and unsubordinated debt from time to time outstanding. Our secured debt, if any, will be effectively senior to the debt securities to the extent of the value of the assets securing such debt. The debt securities will be exclusively our obligations and not of our subsidiaries and therefore the debt securities will be structurally subordinate to the debt and liabilities of any of our subsidiaries. The prospectus supplement will describe the terms of any debt securities being offered, including:

- the title;
- any limit upon the aggregate principal amount;
- the date or dates on which the principal is payable;
- the rate or rates at which the debt securities shall bear interest, if any, or the method by which such rate shall be determined;
- the date or dates from which interest shall accrue;
- the date or dates on which interest shall be payable;
- the record dates for the determination of holders to whom interest is payable;

the right, if any, to extend the interest payment periods and the duration of such extension;

the place or places where the principal of and any interest shall be payable;

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the price or prices at which, the period or periods within which and the terms and conditions upon which debt securities may be redeemed;

our obligation, if any, to redeem, purchase or repay the debt securities pursuant to any sinking fund or otherwise or at the option of a holder thereof;

if applicable, the price or prices at which and the period or periods within which and the terms and conditions upon which the debt securities shall be redeemed, purchased or repaid, in whole or in part;

if other than denominations of $1,000 and any multiple thereof, the denominations in which the debt securities of the series shall be issuable;

the percentage of the principal amount at which the debt securities will be issued and, if other than the principal amount thereof, the portion of such principal amount which shall be payable upon declaration of acceleration of the maturity thereof or provable in bankruptcy;

whether the debt securities are issuable under Rule 144A or Regulation S and, in such case, any provisions unique to such form of issuance including any transfer restrictions or exchange and registration rights;

any and all other terms of the series including any terms which may be required by or advisable under U.S. law or regulations or advisable in connection with the marketing of the debt securities;

whether the debt securities are issuable as global securities or definitive certificates and, in such case, the identity for the depositary;

any deletion from, modification of or addition to the events of default or covenants;

any provisions granting special rights to holders when a specified event occurs;

whether and under what circumstances we will pay additional amounts on the debt securities held by a person who is not a U.S. person in respect of any tax, assessment or governmental charge withheld or deducted;

any special tax implications of the notes;

any trustees, authenticating or paying agents, transfer agents or registrars or any other agents with respect to the debt securities;

any guarantor or co-issuers;

any special interest premium or other premium;

whether the debt securities are convertible or exchangeable into common stock or other of our equity securities and the terms and conditions upon which such conversion or exchange shall be effected; and

the currency in which payments shall be made, if other than U.S. dollars.

Events of Default

When we use the term Event of Default in the indenture with respect to the debt securities of any series, here are some examples of what we mean:

(1) default in paying interest on the debt securities when it becomes due and the default continues for a period of 30 days or more;

(2) default in paying principal, or premium, if any, on the debt securities when due;

(3) default in the performance, or breach, of any covenant in the indenture (other than defaults specified in clause (1) or (2) above) and the default or breach continues for a period of 90 days or more after

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we receive written notice from the trustee or the trustee receives notice from the holders of at least 25% in aggregate principal amount of the outstanding debt securities of the series;

(4) certain events of bankruptcy, insolvency, reorganization, administration or similar proceedings with respect to us or any material subsidiary has occurred;

(5) any other Events of Default set forth in a prospectus supplement relating to such series of debt securities.

If an Event of Default (other than an Event of Default specified in clause (4) with respect to us) under the indenture occurs with respect to the debt securities of any series and is continuing, then the trustee may and, at the direction of the holders of at least 25% in principal amount of the outstanding debt securities of that series, will by written notice, require us to repay immediately the entire principal amount of the outstanding debt securities of that series, together with all accrued and unpaid interest and premium, if any.

If an Event of Default under the indenture specified in clause (4) with respect to us occurs and is continuing, then the entire principal amount of the outstanding debt securities will automatically become due immediately and payable without any declaration or other act on the part of the trustee or any holder.

After a declaration of acceleration or any automatic acceleration under clause (4) described above, the holders of a majority in principal amount of outstanding debt securities of any series may rescind this accelerated payment requirement if all existing Events of Default, except for nonpayment of the principal and interest on the debt securities of that series that has become due solely as a result of the accelerated payment requirement, have been cured or waived and if the rescission of acceleration would not conflict with any judgment or decree. The holders of a majority in principal amount of the outstanding debt securities of any series also have the right to waive past defaults, except a default in paying principal or interest on any outstanding debt security, or in respect of a covenant or a provision that cannot be modified or amended without the consent of all holders of the debt securities of that series.

Holders of at least 25% in principal amount of the outstanding debt securities of a series may seek to institute a proceeding only after they have made written request, and offered indemnity as the trustee may reasonably require, to the trustee to institute a proceeding and the trustee has failed to do so within 60 days after it received this notice. In addition, within this 60-day period the trustee must not have received directions inconsistent with this written request by holders of a majority in principal amount of the outstanding debt securities of that series. These limitations do not apply, however, to a suit instituted by a holder of a debt security for the enforcement of the payment of principal, interest or any premium on or after the due dates for such payment.

During the existence of an Event of Default of which a responsible officer of the trustee has actual knowledge or has received written notice from us or any holder of the debt securities, the trustee is required to exercise the rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent person would under the circumstances in the conduct of that person s own affairs. If an Event of Default has occurred and is continuing, the trustee is not under any obligation to exercise any of its rights or powers at the request or direction of any of the holders unless the holders have offered to the trustee security or indemnity as the trustee may reasonably require. Subject to certain provisions, the holders of a majority in principal amount of the outstanding debt securities of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust, or power conferred on the trustee.

The trustee will, within 45 days after any default occurs, give notice of the default to the holders of the debt securities of that series, unless the default was already cured or waived. Unless there is a default in paying principal, interest or any premium when due, the trustee can withhold giving notice to the holders if it determines in good faith that the withholding of notice is in the interest of the holders.

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We are required to furnish to the trustee an annual statement as to compliance with all conditions and covenants under the indenture.

Modification and Waiver

We and the trustee may amend or modify the indenture or the debt securities without the consent of any holder of debt securities in order to:

- cure ambiguities, defects or inconsistencies;
- provide for the assumption of our obligations in the case of a merger or consolidation and our discharge upon such assumption;
- make any change that would provide any additional rights or benefits to the holders of the debt securities of a series;
- provide for or add guarantors with respect to the debt securities of any series;
- secure the debt securities of a series;
- establish the form or forms of debt securities of any series;
- maintain the qualification of the indenture under the Trust Indenture Act;
- conform any provision in the indenture to this Description of Debt Securities ; or
- make any change that does not adversely affect the rights of any holder.

Other amendments and modifications of the indenture or the debt securities may be made with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding debt securities of each series affected by the amendment or modification (voting as one class), and our compliance with any provision of the indenture with respect to any series of debt securities may be waived by written notice to the trustee by the holders of a majority of the aggregate principal amount of the outstanding debt securities of each series affected by the waiver (voting as one class). However, no modification or amendment may, without the consent of the holder of each outstanding debt security affected:

- reduce the principal amount, or extend the fixed maturity, of the debt securities, alter or waive the redemption provisions of the debt securities;
- change the currency in which principal, any premium or interest is paid;
- reduce the percentage in principal amount outstanding of debt securities of any series which must consent to an amendment, supplement or waiver or consent to take any action;

- impair the right to institute suit for the enforcement of any payment on the debt securities;
- waive a payment default with respect to the debt securities or any guarantor;
- reduce the interest rate or extend the time for payment of interest on the debt securities; or
- adversely affect the ranking of the debt securities of any series.

Covenants

Principal and Interest

We covenant to pay the principal of and interest on the debt securities when due and in the manner provided in the indenture.

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Consolidation, Merger or Sale of Assets

We will not consolidate or combine with or merge with or into or, directly or indirectly, sell, assign, convey, lease, transfer or otherwise dispose of all or substantially all of our assets to any person or persons in a single transaction or through a series of transactions, unless:

- we shall be the continuing person or, if we are not the continuing person, the resulting, surviving or transferee person (the surviving entity) is a company organized and existing under the laws of the United States or any State or territory;
- the surviving entity will expressly assume all of our obligations under the debt securities and the indenture, and will, if required by law to effectuate the assumption, execute a supplemental indenture which will be delivered to the trustee;
- immediately after giving effect to such transaction or series of transactions on a pro forma basis, no default has occurred and is continuing; and
- we or the surviving entity will have delivered to the trustee an officers certificate and opinion of counsel stating that the transaction or series of transactions and a supplemental indenture, if any, complies with this covenant and that all conditions precedent in the indenture relating to the transaction or series of transactions have been satisfied.

The restrictions in the third and fourth bullets shall not be applicable to:

- the merger or consolidation of us with an affiliate of ours if our board of directors determines in good faith that the purpose of such transaction is principally to change our state of incorporation or convert our form of organization to another form; or
- the merger of us with or into a single direct or indirect wholly owned subsidiary of ours pursuant to Section 251(g) (or any successor provision) of the General Corporation Law of the State of Delaware.

If any consolidation or merger or any sale, assignment, conveyance, lease, transfer or other disposition of all or substantially all our assets occurs in accordance with the indenture, the successor corporation will succeed to, and be substituted for, and may exercise every right and power of ours under the indenture with the same effect as if such successor corporation had been named in our place in the indenture. We will (except in the case of a lease) be discharged from all obligations and covenants under the indenture and any debt securities issued thereunder.

Negative Covenants

In addition to the covenants set forth above, the following additional covenants shall apply to the debt securities (unless otherwise provided pursuant to a board resolution and set forth in an officers certificate or a supplemental indenture). These covenants do not limit our ability to incur indebtedness and apply only to us.

Limitation on Liens

With respect to each series of debt securities, we will not create or incur any Lien on any of our Properties, whether now owned or hereafter acquired, or upon any income or profits therefrom, in order to secure any of our Indebtedness, without effectively providing that such series of debt securities shall be equally and ratably secured until such time as such Indebtedness is no longer secured by such Lien, except:

(1) Liens existing as of the closing date of the offering of the series of debt securities;

(2) Liens granted after closing date of the offering of the series of debt securities, created in favor of the holders of such series of debt securities;

(3) Liens securing our Indebtedness which are incurred to extend, renew or refinance Indebtedness which is secured by Liens permitted to be incurred under the indenture;

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(4) Liens created in substitution of or as replacements for any Liens permitted by the clauses directly above, provided that, based on a good faith determination of one of our Senior Officers, the Property encumbered under any such substitute or replacement Lien is substantially similar in nature to the Property encumbered by the otherwise permitted Lien which is being replaced; and

(5) Permitted Liens.

Notwithstanding the foregoing, we may, without securing any series of debt securities, create or incur Liens which would otherwise be subject to the restrictions set forth in the preceding paragraph, if after giving effect thereto, Aggregate Debt does not exceed the greater of (i) 25% of Consolidated Net Worth calculated as of the date of the creation or incurrence of the Lien or (ii) 25% of Consolidated Net Worth calculated as of the date of the issuance of such debt securities.

Limitation on Sale and Lease-Back Transactions

With respect to each series of debt securities, we will not enter into any sale and lease-back transaction for the sale and leasing back of any Property, whether now owned or hereafter acquired, unless:

(1) such transaction was entered into prior to the closing date of the offering of the series of debt securities;

(2) such transaction was for the sale and leasing back to us of any Property by one of our Subsidiaries;

(3) such transaction involves a lease for less than three years;

(4) we would be entitled to incur Indebtedness secured by a mortgage on the property to be leased in an amount equal to the Attributable Liens with respect to such sale and lease-back transaction without equally and ratably securing such series of debt securities pursuant to the first paragraph of Limitation on Liens above; or

(5) we apply an amount equal to the fair value of the Property sold to the purchase of Property or to the retirement of our long-term Indebtedness within 365 days of the effective date of any such sale and lease-back transaction. In lieu of applying such amount to such retirement, we may deliver debt securities to the trustee therefor for cancellation, such debt securities to be credited at the cost thereof to us.

Notwithstanding the foregoing, we may enter into any sale lease-back transaction which would otherwise be subject to the foregoing restrictions if after giving effect thereto and at the time of determination, Aggregate Debt does not exceed the greater of (i) 25% of Consolidated Net Worth calculated as of the closing date of the sale-leaseback transaction or (ii) 25% of Consolidated Net Worth calculated as of the date of the issuance of the series of debt securities.

Existence

Except as permitted under Consolidation, Merger and Sale of Assets, the indenture requires us to do or cause to be done all things necessary to preserve and keep in full force and effect our existence, rights and franchises; *provided*, *however*, that we shall not be required to preserve any right or franchise if we determine that their preservation is no longer desirable in the conduct of business.

Certain Definitions

As used in this section, the following terms have the meanings set forth below.

Aggregate Debt means the sum of the following as of the date of determination:

(1) the aggregate principal amount of our Indebtedness incurred after the closing date of the offering of the debt securities and secured by Liens not permitted by the first sentence under Limitation on Liens; and

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(2) our Attributable Liens in respect of sale and lease-back transactions entered into after the closing date of this offering pursuant to the second paragraph of Limitation on Sale and Lease-Back Transactions.

Attributable Liens means in connection with a sale and lease-back transaction the lesser of:

(1) the fair market value of the assets subject to such transaction; and

(2) the present value (discounted at a rate per annum equal to the average interest borne by all outstanding debt securities issued under the indenture (which may include debt securities in addition to the series of debt securities currently outstanding under the indenture and those being offered by any prospectus supplement) determined on a weighted average basis and compounded semi-annually) of the obligations of the lessee for rental payments during the term of the related lease.

Capital Lease means any Indebtedness represented by a lease obligation of a Person incurred with respect to real property or equipment acquired or leased by such Person and used in its business that is required to be recorded as a capital lease in accordance with GAAP.

Consolidated Net Worth means, as of any date of determination, our Stockholders Equity and our Consolidated Subsidiaries on that date.

Consolidated Subsidiary means, as of any date of determination and with respect to any Person, any Subsidiary of that Person whose financial data is, in accordance with GAAP, reflected in that Person s consolidated financial statements.

GAAP means generally accepted accounting principles set forth in the opinions and pronouncements of the Public Company Accounting Oversight Board (United States) and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect as of the date of determination.

Hedging Obligations means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk;

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices; and

(4) other agreements or arrangements designed to protect such person against fluctuations in equity prices.

Indebtedness of any specified Person means, without duplication, any indebtedness, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements with respect thereto) or representing the balance deferred and unpaid of the purchase price of any Property (including pursuant to Capital Leases), except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness would appear as a liability upon an unconsolidated balance sheet of such Person (but does not include contingent liabilities which appear only in a footnote to a balance sheet).

Lien means any lien, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

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Permitted Liens means:

(1) Liens on any of our assets, created solely to secure obligations incurred to finance the refurbishment, improvement or construction of such asset, which obligations are incurred no later than 24 months after completion of such refurbishment, improvement or construction, and all renewals, extensions, refinancings, replacements or refundings of such obligations;

(2) (a) Liens given to secure the payment of the purchase price incurred in connection with the acquisition (including acquisition through merger or consolidation) of Property (including shares of stock), including Capital Lease transactions in connection with any such acquisition, and (b) Liens existing on Property at the time of acquisition thereof or at the time of acquisition by us of any Person then owning such Property whether or not such existing Liens were given to secure the payment of the purchase price of the Property to which they attach; *provided* that, with respect to clause (a), the Liens shall be given within 24 months after such acquisition and shall attach solely to the Property acquired or purchased and any improvements then or thereafter placed thereon;

(3) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(4) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other Property relating to such letters of credit and the products and proceeds thereof;

(5) Liens encumbering customary initial deposits and margin deposits and other Liens in the ordinary course of business, in each case securing Hedging Obligations and forward contract, option, futures contracts, futures options, equity hedges or similar agreements or arrangements designed to protect us from fluctuations in interest rates, currencies, equities or the price of commodities;

(6) pre-existing Liens on assets acquired by us after the closing date of this offering;

(7) Liens in our favor;

(8) inchoate Liens incident to construction or maintenance of real property, or Liens incident to construction or maintenance of real property, now or hereafter filed of record for sums not yet delinquent or being contested in good faith, if reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made therefore;

(9) statutory Liens arising in the ordinary course of business with respect to obligations which are not delinquent or are being contested in good faith, if reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made therefore;

(10) Liens consisting of pledges or deposits to secure obligations under workers compensation laws or similar legislation, including Liens of judgments thereunder which are not currently dischargeable;

(11) Liens consisting of pledges or deposits of Property to secure performance in connection with operating leases made in the ordinary course of business to which we are a party as lessee, provided the aggregate value of all such pledges and deposits in connection with any such lease does not at any time exceed $16\,^{2}/3\%$ of the annual fixed rentals payable under such lease;

(12) Liens consisting of deposits of Property to secure our statutory obligations in the ordinary course of our business;

(13) Liens consisting of deposits of Property to secure (or in lieu of) surety, appeal or customs bonds in proceedings to which we are a party in the ordinary course of our business, but not in excess of $25,000,000; and

(14) purchase money Liens or purchase money security interests upon or in any Property acquired or held by us in the ordinary course of business to secure the purchase price of such Property or to secure indebtedness incurred solely for the purpose of financing the acquisition of such Property.

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Person means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Property means any property or asset, whether real, personal or mixed, or tangible or intangible, including shares of capital stock.

Senior Officer of any specified Person means the chief executive officer, any president, any vice president, the chief financial officer, the treasurer, any assistant treasurer, the secretary or any assistant secretary.

Stockholders Equity means, as of any date of determination, stockholders equity as reflected on the most recent consolidated balance sheet available to us prepared in accordance with GAAP.

Subsidiary of any specified Person means any corporation, association or other business entity of which more than 50% of the total voting power of shares of capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such person or one or more of the other Subsidiaries of that person or a combination thereof.

Satisfaction, Discharge and Covenant Defeasance

We may terminate our obligations under the indenture, when:

- either:
  - all the debt securities of any series issued that have been authenticated and delivered have been accepted by the trustee for cancellation; or
  - all the debt securities of any series issued that have not been accepted by the trustee for cancellation will become due and payable within one year (a discharge) and we have made irrevocable arrangements satisfactory to the trustee for the giving of notice of redemption by such trustee in our name, and at our expense and we have irrevocably deposited or caused to be deposited with the trustee sufficient funds to pay and discharge the entire indebtedness on the series of debt securities to pay principal, interest and any premium;
- we have paid or caused to be paid all other sums then due and payable under the indenture; and
- we have delivered to the trustee an officers certificate and an opinion of counsel, each stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

We may elect to have our obligations under the indenture discharged with respect to the outstanding debt securities of any series (legal defeasance). Legal defeasance means that we will be deemed to have paid and discharged the entire indebtedness represented by the outstanding debt securities of such series under the indenture, except for:

- the rights of holders of the debt securities to receive principal, interest and any premium when due;
- our obligations with respect to the debt securities concerning issuing temporary debt securities, registration of transfer of debt securities, mutilated, destroyed, lost or stolen debt securities and the maintenance of an office or agency for payment for debt securities payments held in trust;

- the rights, powers, trusts, duties and immunities of the trustee; and

- the defeasance provisions of the indenture.

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In addition, we may elect to have our obligations released with respect to certain covenants in the indenture (covenant defeasance). Any failure to comply with these obligations will not constitute a default or an event of default with respect to the debt securities of any series. In the event covenant defeasance occurs, certain events, not including non-payment, bankruptcy and insolvency events, described under Events of Default will no longer constitute an event of default for that series.

In order to exercise either legal defeasance or covenant defeasance with respect to outstanding debt securities of any series:

- we must irrevocably have deposited or caused to be deposited with the trustee as trust funds for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to the benefits of the holders of the debt securities of a series:
  - money in an amount;
  - U.S. Government Obligations; or
  - a combination of money and U.S. Government Obligations,

in each case sufficient without reinvestment, in the written opinion of an internationally recognized firm of independent public accountants to pay and discharge, and which shall be applied by the trustee to pay and discharge, all of the principal, interest and any premium at due date or maturity or if we have made irrevocable arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee in our name and at our expense, the redemption date;

- in the case of legal defeasance, we must have delivered to the trustee an opinion of counsel stating that, as a result of an IRS ruling or a change in applicable federal income tax law, the holders of the debt securities of that series will not recognize gain or loss for federal income tax purposes as a result of the deposit, defeasance and discharge to be effected and will be subject to the same federal income tax as would be the case if the deposit, defeasance and discharge did not occur;
- in the case of covenant defeasance, we must have delivered to the trustee an opinion of counsel to the effect that the holders of the debt securities of that series will not recognize gain or loss for U.S. federal income tax purposes as a result of the deposit and covenant defeasance to be effected and will be subject to the same federal income tax as would be the case if the deposit and covenant defeasance did not occur;
- no default with respect to the outstanding debt securities of that series has occurred and is continuing at the time of such deposit after giving effect to the deposit or, in the case of legal defeasance, no default relating to bankruptcy or insolvency has occurred and is continuing at any time on or before the 91st day after the date of such deposit, it being understood that this condition is not deemed satisfied until after the 91st day;
- the legal defeasance or covenant defeasance will not cause the trustee to have a conflicting interest within the meaning of the Trust Indenture Act, assuming all debt securities of a series were in default within the meaning of such Act;
- the legal defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which we are a party;

the legal defeasance or covenant defeasance will not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940, as amended, unless the trust is registered under such Act or exempt from registration; and

we have delivered to the trustee an officers certificate and an opinion of counsel stating that all conditions precedent with respect to the defeasance or covenant defeasance have been complied with.

Unclaimed Funds

All funds deposited with the trustee or any paying agent for the payment of principal, interest, premium or additional amounts in respect of the debt securities that remain unclaimed for two years after the maturity date of such debt securities will be repaid to us upon our request. Thereafter, any right of any noteholder to such funds shall be enforceable only against us, and the trustee and paying agents will have no liability therefor.

Governing Law

The indenture and the debt securities for all purposes shall be governed by and construed in accordance with the laws of the State of New York.

Concerning Our Relationship with the Trustee

We maintain ordinary banking relationships and credit facilities with The Bank of New York Mellon.

DESCRIPTION OF WARRANTS

We may issue warrants to purchase our debt or equity securities or securities of third parties or other rights, including rights to receive payment in cash or securities based on the value, rate or price of one or more specified commodities, currencies, securities or indices, or any combination of the foregoing. Warrants may be issued independently or together with any other securities and may be attached to, or separate from, such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent. The terms of any warrants to be issued and a description of the material provisions of the applicable warrant agreement will be set forth in the applicable prospectus supplement.

DESCRIPTION OF PURCHASE CONTRACTS

We may issue purchase contracts for the purchase or sale of:

- debt or equity securities issued by us or securities of third parties, a basket of such securities, an index or indices or such securities or any combination of the above as specified in the applicable prospectus supplement;
- currencies; or
- commodities.

Each purchase contract will entitle the holder thereof to purchase or sell, and obligate us to sell or purchase, on specified dates, such securities, currencies or commodities at a specified purchase price, which may be based on a formula, all as set forth in the applicable prospectus supplement. We may, however, satisfy our obligations, if any, with respect to any purchase contract by delivering the cash value of such purchase contract or the cash value of the property otherwise deliverable or, in the case of purchase contracts on underlying currencies, by delivering the underlying currencies, as set forth in the applicable prospectus supplement. The applicable prospectus supplement will also specify the methods by which the holders may purchase or sell such securities, currencies or commodities and any acceleration, cancellation or termination provisions or other provisions relating to the settlement of a purchase contract.

The purchase contracts may require us to make periodic payments to the holders thereof or vice versa, which payments may be deferred to the extent set forth in the applicable prospectus supplement, and those payments may be unsecured or prefunded on some basis. The purchase contracts may require the holders thereof to secure their obligations in a specified manner to be described in the applicable prospectus supplement.

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Alternatively, purchase contracts may require holders to satisfy their obligations thereunder when the purchase contracts are issued. Our obligation to settle such pre-paid purchase contracts on the relevant settlement date may constitute indebtedness. Accordingly, pre-paid purchase contracts will be issued under the indenture.

DESCRIPTION OF UNITS

As specified in the applicable prospectus supplement, we may issue units consisting of one or more warrants, debt securities, shares of preferred stock, shares of common stock or any combination of such securities.

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FORMS OF SECURITIES

Each debt security, warrant and unit will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. Certificated securities in definitive form and global securities will be issued in registered form. Definitive securities name you or your nominee as the owner of the security, and in order to transfer or exchange these securities or to receive payments other than interest or other interim payments, you or your nominee must physically deliver the securities to the trustee, registrar, paying agent or other agent, as applicable. Global securities name a depositary or its nominee as the owner of the debt securities, warrants or units represented by these global securities. The depositary maintains a computerized system that will reflect each investor s beneficial ownership of the securities through an account maintained by the investor with its broker/dealer, bank, trust company or other representative, as we explain more fully below.

Global Securities

Registered Global Securities. We may issue the registered debt securities, warrants and units in the form of one or more fully registered global securities that will be deposited with a depositary or its nominee identified in the applicable prospectus supplement and registered in the name of that depositary or nominee. In those cases, one or more registered global securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal or face amount of the securities to be represented by registered global securities. Unless and until it is exchanged in whole for securities in definitive registered form, a registered global security may not be transferred except as a whole by and among the depositary for the registered global security, the nominees of the depositary or any successors of the depositary or those nominees.

If not described below, any specific terms of the depositary arrangement with respect to any securities to be represented by a registered global security will be described in the prospectus supplement relating to those securities. We anticipate that the following provisions will apply to all depositary arrangements.

Ownership of beneficial interests in a registered global security will be limited to persons, called participants, that have accounts with the depositary or persons that may hold interests through participants. Upon the issuance of a registered global security, the depositary will credit, on its book-entry registration and transfer system, the participants accounts with the respective principal or face amounts of the securities beneficially owned by the participants. Any dealers, underwriters or agents participating in the distribution of the securities will designate the accounts to be credited. Ownership of beneficial interests in a registered global security will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the depositary, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants. The laws of some states may require that some purchasers of securities take physical delivery of these securities in definitive form. These laws may impair your ability to own, transfer or pledge beneficial interests in registered global securities.

So long as the depositary, or its nominee, is the registered owner of a registered global security, that depositary or its nominee, as the case may be, will be considered the sole owner or holder of the securities represented by the registered global security for all purposes under the applicable indenture, warrant agreement or unit agreement. Except as described below, owners of beneficial interests in a registered global security will not be entitled to have the securities represented by the registered global security registered in their names, will not receive or be entitled to receive physical delivery of the securities in definitive form and will not be considered the owners or holders of the securities under the applicable indenture, warrant agreement or unit agreement. Accordingly, each person owning a beneficial interest in a registered global security must rely on the procedures of the depositary for that registered global security and, if that person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of a holder under the applicable indenture, warrant agreement or unit agreement. We understand that under existing industry practices, if we request any action of holders or if an owner of a beneficial interest in a registered global security

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desires to give or take any action that a holder is entitled to give or take under the applicable indenture, warrant agreement or unit agreement, the depositary for the registered global security would authorize the participants holding the relevant beneficial interests to give or take that action, and the participants would authorize beneficial owners owning through them to give or take that action or would otherwise act upon the instructions of beneficial owners holding through them.

Principal, premium, if any, and interest payments on debt securities, and any payments to holders with respect to warrants or units, represented by a registered global security registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the registered global security. None of Oracle, the trustee, any warrant agent, unit agent or any other agent of Oracle, agent of the trustee or agent of such warrant agent or unit agent will have any responsibility or liability for any aspect of the records relating to payments made on account of beneficial ownership interests in the registered global security or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

We expect that the depositary for any of the securities represented by a registered global security, upon receipt of any payment of principal, premium, interest or other distribution of underlying securities or other property to holders on that registered global security, will immediately credit participants accounts in amounts proportionate to their respective beneficial interests in that registered global security as shown on the records of the depositary. We also expect that payments by participants to owners of beneficial interests in a registered global security held through participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of those participants.

If the depositary for any of these securities represented by a registered global security is at any time unwilling or unable to continue as depositary or ceases to be a clearing agency registered under the Exchange Act, and a successor depositary registered as a clearing agency under the Exchange Act is not appointed by us within 90 days, we will issue securities in definitive form in exchange for the registered global security that had been held by the depositary. Any securities issued in definitive form in exchange for a registered global security will be registered in the name or names that the depositary gives to the relevant trustee, warrant agent, unit agent or other relevant agent of ours or theirs. It is expected that the depositary s instructions will be based upon directions received by the depositary from participants with respect to ownership of beneficial interests in the registered global security that had been held by the depositary. In addition, we may at any time determine that the securities of any series shall no longer be represented by a global security and will issue securities in definitive form in exchange for such global security pursuant to the procedure described above.

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PLAN OF DISTRIBUTION

We or selling security holders may sell the securities described in this prospectus in the following manner or any manner specified in a prospectus supplement:

- directly to purchasers, through a specific bidding or auction process or otherwise;
- through agents;
- to or through underwriters;
- through dealers; and
- through a combination of any of the foregoing methods of sale.

If any securities are sold pursuant to this prospectus by any persons other than us, we will, in a prospectus supplement, name the selling security holders, indicate the nature of any relationship such holders have had to us or any of our affiliates during the three years preceding such offering, state the amount of securities of the class owned by such security holder prior to the offering and the amount to be offered for the security holder s account, and state the amount and (if one percent or more) the percentage of the class to be owned by such security holder after completion of the offering.

We or any selling security holder may directly solicit offers to purchase securities, or agents may be designated to solicit such offers. We will, in the prospectus supplement relating to such offering, name any agent that could be viewed as an underwriter under the Securities Act of 1933 and describe any commissions that we or any selling security holder must pay. Any such agent will be acting on a best efforts basis for the period of its appointment or, if indicated in the applicable prospectus supplement, on a firm commitment basis. Agents, dealers and underwriters may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

If any underwriters or agents are utilized in the sale of the securities in respect of which this prospectus is delivered, we and, if applicable, any selling security holder will enter into an underwriting agreement or other agreement with them at the time of sale to them, and we will set forth in the prospectus supplement relating to such offering the names of the underwriters or agents and the terms of the related agreement with them.

If a dealer is utilized in the sale of the securities in respect of which the prospectus is delivered, we will sell such securities to the dealer, as principal. The dealer may then resell such securities to the public at varying prices to be determined by such dealer at the time of resale.

Remarketing firms, agents, underwriters and dealers may be entitled under agreements which they may enter into with us to indemnification by us and by any selling security holder against certain civil liabilities, including liabilities under the Securities Act, and may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

In order to facilitate the offering of the securities, any underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the securities or any other securities the prices of which may be used to determine payments on such securities. Specifically, any underwriters may overallot in connection with the offering, creating a short position for their own accounts. In addition, to cover overallotments or to stabilize the price of the securities or of any such other securities, the underwriters may bid for, and purchase, the securities or any such other securities in the open market. Finally, in any offering of the securities through a syndicate of underwriters, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the securities in the offering if the syndicate repurchases previously distributed securities in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the securities above independent market levels. Any such underwriters are not required to engage in these activities and may end any of these activities at any time.

Any underwriter, agent or dealer utilized in the initial offering of securities will not confirm sales to accounts over which it exercises discretionary authority without the prior specific written approval of its customer.

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VALIDITY OF SECURITIES

In connection with particular offerings of the securities in the future, and if stated in the applicable prospectus supplements, the validity of those securities will be passed on for us by Davis Polk & Wardwell LLP, and for any underwriters or agents, by counsel named in the applicable prospectus supplement.

EXPERTS

The consolidated financial statements of Oracle Corporation appearing in our Annual Report (Form 10-K) for the year ended May 31, 2009 (including the schedule appearing therein), and the effectiveness of internal control over financial reporting as of May 31, 2009 included therein, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon included therein, and incorporated herein by reference. Such financial statements are incorporated herein in reliance upon the report of Ernst & Young LLP pertaining to such financial statements given on the authority of such firm as experts in accounting and auditing.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. ***Other Expenses of Issuance and Distribution***

The following table sets forth the costs and expenses payable by us in connection with the sale of the securities being registered hereby.

	Amount to be Paid
SEC Registration fee	$ *
Printing fees	**
Legal fees and expenses	**
Trustee fees and expenses	**
Rating Agency fees	**
Accounting fees and expenses	**
Miscellaneous	**
TOTAL	$ **

* Omitted because the registration fee is being deferred pursuant to Rule 456(b).

** These fees and expenses depend on the securities offered and the number of issuances, and accordingly cannot be estimated at this time.

Item 15. ***Indemnification of Directors and Officers***

As permitted by Section 102(b)(7) of the Delaware General Corporation Law, our Restated Certificate of Incorporation includes a provision that eliminates the personal liability of each of our directors for monetary damages for breach of such director s fiduciary duty as a director, except for liability: (a) for any breach of the director s duty of loyalty to us or our stockholders; (b) for acts of omissions not in good faith or which involve intentional misconduct or a knowing violation of the law; (c) under Section 174 of the Delaware General Corporation Law; or (d) for any transaction from which the director derived an improper personal benefit. The directors liability will be further limited to the extent permitted by any future amendments to the Delaware General Corporation Law authorizing the further limitation or elimination of the liability of directors.

In addition, as permitted by Section 145 of the Delaware General Corporation Law, our Bylaws provide that: (i) we are required to indemnify our directors and officers to the fullest extent permitted by Delaware law, including those circumstances in which indemnification would otherwise be discretionary; (ii) we are required to advance expenses, as incurred, to such directors and officers in connection with defending a proceeding (except that it is not required to advance expenses to a person against whom we bring a claim for breach of the duty of loyalty, failure to act in good faith, intentional misconduct, knowing violation of the law or deriving an improper personal benefit); (iii) the rights conferred in our Bylaws are not exclusive and we are authorized to enter into indemnification agreements with such directors, officers and employees; (iv) we are required to maintain director and officer liability insurance to the extent we determine that such insurance is reasonably available; and (v) we may not retroactively amend the Bylaw provisions in a way that is adverse to such directors and officers.

We have entered into indemnification agreements with our directors and a number of our officers containing provisions which provide for the indemnification of such director or officer, as applicable, to the fullest extent permitted by Delaware law.

The indemnification provisions in our Bylaws, and any indemnification agreements entered into between us and our directors or officers, may be sufficiently broad to permit indemnification of our directors and officers for liabilities arising under the Securities Act.

The proposed form of Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification of our directors and officers by the underwriters against certain liabilities.

Item 16. ***Exhibits and Financial Statement Schedules***

(a) The following exhibits are filed as part of this Registration Statement:

Exhibit No.	Document
1.1	Form of Underwriting Agreement (Debt Securities)
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Item 17. ***Undertakings***

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (i), (ii) and (iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is

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part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) The undersigned Registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act.

(c) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(d) The undersigned registrant hereby undertakes to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by the underwriters, and the terms of any subsequent reoffering thereof. If any public offering by the underwriters is to be made on terms differing from those set forth on the cover page of the prospectus, a post-effective amendment will be filed to set forth the terms of such offering.

(e) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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(f) (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Redwood City, State of California, on May 7, 2010.

ORACLE CORPORATION

By:	/s/ Dorian Daley
Name:	**Dorian Daley**
Title:	**Senior Vice President, General Counsel and Secretary**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jeff Epstein, Dorian Daley and Eric R. Ball, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Lawrence J. Ellison **Lawrence J. Ellison**	Chief Executive Officer and Director (Principal Executive Officer)	May 7, 2010
/s/ Jeff Epstein **Jeff Epstein**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	May 7, 2010
/s/ William Corey West **William Corey West**	Senior Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	May 7, 2010
/s/ Jeffrey O. Henley **Jeffrey O. Henley**	Chairman of the Board of Directors	May 7, 2010
/s/ Jeffrey Berg **Jeffrey Berg**	Director	May 7, 2010
/s/ H. Raymond Bingham **H. Raymond Bingham**	Director	May 7, 2010

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Signature	Title	Date
/s/ Michael J. Boskin **Michael J. Boskin**	Director	May 7, 2010
/s/ Safra A. Catz **Safra A. Catz**	President and Director	May 7, 2010
/s/ Bruce R. Chizen **Bruce R. Chizen**	Director	May 7, 2010
/s/ George H. Conrades **George H. Conrades**	Director	May 7, 2010
/s/ Hector Garcia-Molina **Hector Garcia-Molina**	Director	May 7, 2010
/s/ Donald L. Lucas **Donald L. Lucas**	Director	May 7, 2010
/s/ Charles E. Phillips, Jr. **Charles E. Phillips, Jr.**	President and Director	May 7, 2010
/s/ Naomi O. Seligman **Naomi O. Seligman**	Director	May 7, 2010

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size:10pt;">

Interest expense
(64,950
)

(82,944
)

(115,861
)

(22
)%

(28
)%
Loss on exchange of warrants
—

—

(1,845,810
)

100
%

(100
)%
Change in fair value of derivatives, net
39,269

9,163

(2,133,820
)

329
%

(100
)%
Other income (expense), net
34,218

(10,075
)

9,640

(440
)%

(205
)%

Total other income (expense), net
8,537

(83,856
)

(4,085,851
)

(110
)%

(98
)%
Net loss
$
(5,467,699
)

$
(7,560,200
)

$
(11,308,171
)

(28
)%

(33
)%

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

	Twelve Months Ended					
	December 31, 2017		(As Restated) December 31, 2016		(As Restated) December 31, 2015	
Revenue	100	%	100	%	100	%
Costs and expenses:						
Cost of revenue (exclusive of amortization)	47	%	49	%	54	%
Sales and marketing	31	%	38	%	45	%
General and administrative	38	%	42	%	45	%
Depreciation and amortization	6	%	6	%	7	%
Total costs and expenses	122	%	135	%	151	%

Loss from operations	(22)%	(35)%	(51)%
Other income (expense):			
Interest expense	— %	— %	(1)%
Loss on exchange of warrants	— %	— %	(13)%
Change in fair value of derivatives, net	— %	— %	(15)%
Other income (expense), net	— %	— %	— %
Total other income (expense), net	— %	— %	(29)%
Net loss	(22)%	(35)%	(80)%

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Revenue

We derive revenue from managing content services or advertising campaigns for our customers, as well as from making our platforms available so marketers may purchase content directly from our creators. We categorize our revenue by three primary revenue streams: revenue from our managed services when a marketer (typically a brand, agency or partner) pays us to provide custom content, influencer marketing or amplification services ("Managed Services"), revenue from transactions generated by the self-service use of our platforms by marketers to handle their content workflow from initial content request to payment of content received or distributed ("Content Workflow"), and revenue derived from various service and license fees charged to users of our platforms ("Service Fee Revenue"). As discussed in more detail within "Critical Accounting Policies," revenue from our Managed Services and Service Fees are presented on a gross basis and revenue from Content Workflow is presented on a net basis.

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

	Twelve Months Ended									Increase (Decrease)			
	December 31, 2017			(As Restated) December 31, 2016			(As Restated) December 31, 2015			2017 vs 2016		2016 vs 2015	
Managed Services	$23,836,236	98	%	$20,393,757	96	%	$13,358,188	95	%	17	%	53	%
Content Workflow, net	350,648	1	%	465,378	2	%	491,489	3	%	(25	)%	(5	)%
Service Fees & Other	250,765	1	%	375,162	2	%	260,008	2	%	(33	)%	44	%
Total Revenue	$24,437,649	100	%	$21,234,297	100	%	$14,109,685	100	%	15	%	50	%

Revenues for the twelve months ended December 31, 2017 increased by $3,203,352, or approximately 15%, compared to the same period in 2016. Revenues for the twelve months ended December 31, 2016 increased by $7,124,612, or approximately 50%, compared to the same period in 2015.

We have invested the majority of our time and resources in our Managed Services which provides the majority of our revenue. The acquisitions of Ebyline and ZenContent over the past two years allowed us to expand our product offerings to provide custom content in addition to and in combination with our influencer marketing campaigns. The increase in product offerings resulted in higher revenue per customer and repeat business from existing customers, primarily due to concentrated sales efforts toward larger IZEA-managed campaigns that have components of both custom content and influencer marketing.

Content Workflow revenue primarily generated from newspaper and traditional publishers through the Ebyline platform on a self-service basis is declining year over year due to the ongoing consolidation and cutbacks in the newspaper industry. Revenue from Content Workflow represents our net margins received on this business which averaged approximately 7% in all years. We expect to see continued declines in Content Workflow revenue up to 35% in 2018 compared to prior year levels due to an expected overall decline in the usage of our Ebyline platform by these legacy customers.

Service Fee revenue decreased in the twelve months ended December 31, 2017, due to reduced licensing fees charged to marketers using our platforms during 2017 as compared to 2016, as we were developing additional features in IZEAx necessary to meet the future needs of our partners and self-service marketers and enable a better user experience.

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 twelve months ended December 31, 2017 increased by $1,110,547, or approximately 11%, compared to the same period in 2016. The majority of this increase is proportional to the increase in our revenue from Managed Services. Cost of revenue as a percentage of revenue declined by two basis points from 49% in 2016 to 47% in 2017. Our direct costs related to third-party creators remained consistent at approximately 40% of our cost of revenue for Managed Services in 2017 and 2016, while our internal fulfillment costs declined to approximately 9% of our cost of revenues for Managed Services during the twelve months ended December 31, 2017 compared to 11% for the same period in 2016. This is due to a decrease of approximately $100,000 in personnel costs as a result of a decrease in the number of campaign fulfillment personnel used to manage our customer campaigns offset by standard salary increases. From November 2016 through 2017, we were able to decrease the number of fulfillment personnel used to manage our campaigns following our implementation of platform enhancements that enabled them to handle larger campaigns with minimal increase on their time.

Cost of revenue for the twelve months ended December 31, 2016 increased by $2,876,232, or approximately 38%, compared to the same period in 2015. The majority of this increase is proportional to the increase in our revenue from Managed Services. Cost of revenue as a percentage of revenue declined by five basis points from 54% in 2015 to 49% in 2016 as we implemented price increases on our custom content assets to bring them in line with pricing on our influencer marketing services. Additionally, we were able to provide quality content creators and achieve efficiencies in scale from the integration of Ebyline and ZenContent assets into our operations.

Sales and Marketing

Sales and marketing expenses for the twelve months ended December 31, 2017 decreased by $396,393, or approximately 5%, compared to the same period in 2016. We increased our public relations expense by $300,000 as a result of our IZEAFest Conference held in February 2017. However, in the remainder of 2017, we decreased our spending on marketing and strategy by approximately $642,000 compared to 2016. This decrease came from the non-renewal of our public relations and strategy consultants after July 2016 and a decrease in tradeshow attendance and promotional spending as part of our efforts to reduce costs during 2017 to speed up our path to near term profitability.

Sales and marketing expenses for the twelve months ended December 31, 2016 increased by $1,703,237, or approximately 27%, compared to the same period in 2015. This increase was primarily the result of a $2.1 million increase in sales personnel and contractor wages, taxes and benefit costs as we increased our average number of sales and marketing personnel by 26% since the prior year. Commission expense included in the wages increased by approximately $250,000 as a result of the increase in customer bookings. Travel costs and other variable costs personnel costs increased by $228,000 as a result of increased training and corporate events during the first half of 2016. These increases were offset by a $623,000 decrease in public relations and marketing events during 2016 as compared to 2015, because we held our IZEAFest Conference in late 2015 and did not repeat this event until early 2017.

General and Administrative

General and administrative expense for the twelve months ended December 31, 2017 increased by $272,134, or approximately 3%, compared to the same period in 2016. The increase was primarily attributable to the change in our acquisition cost liability related to the ZenContent acquisition in July 2016, which contributed $386,579 to the increase in general and administrative expense. On July 31, 2016, we purchased all of the outstanding shares of capital stock of ZenContent for aggregate consideration up to $4,500,000, consisting of guaranteed payments of $2,000,000 and contingent performance payments up to $2,500,000 based on ZenContent meeting certain revenue targets for each of the three years ending July 31, 2017, 2018 and 2019. These payments are subject to downward adjustment of up to 30% if Brianna DeMike, ZenContent's co-founder, is terminated by IZEA for cause or if she terminates her employment without good reason. As a result, the Company initially reduced its acquisition cost liability by $300,000 to be accrued as compensation expense over the three-year term rather than allocated to the purchase price in accordance with ASC 805-10-55-25. The compensation expense recorded as general and administrative expense and accrued to the acquisition cost liability during the twelve months ended December 31, 2017 and 2016 was $162,500 and $102,431, respectively. We also determined that the current fair value of the $2,500,000 contingent performance payments for ZenContent was $744,510 as of December 31, 2017 compared to $324,000 as of December 31, 2016. As a result of the change in the value, we recorded a $420,510 non-cash expense during the twelve months ended December 31, 2017. Of this amount, $185,945 was allocated to compensation expense and $234,565 was allocated as an increase in the fair value of the contingent performance payments. During the twelve months ended December 31, 2016, we recorded a $94,000 increase in the fair value of the contingent performance payments when the estimated fair value increased from the initial estimate of $230,000 on July 31, 2016 to $324,000 as of December 31, 2016. To the extent that our future estimates in the value of contingent performance payments change, this will continue to affect our general and administrative expense.

The increase in general and administrative expense due to acquisition cost during the twelve months ended December 31, 2017 was partially offset by a $125,000 decrease in investor relation expenses due to the non-renewal of our investor relations firm effective May 1, 2017 and lower Nasdaq filing fees. Stock option expense decreased by approximately $27,000 due to completed vesting on prior option issuances and lesser option expense for newer option issuances.

General and administrative expense for the twelve months ended December 31, 2016 increased by $2,558,447, or approximately 40%, compared to the same period in 2015. The increase was attributable to a $1 million increase in personnel costs and a $142,000 increase in variable costs related to personnel such as software and subscription costs, communication, travel and supply costs. These costs increased as a result of an increase in the average number of our administrative and engineering personnel by 34% since the prior year period due to increasing demands and the need to improve our platforms to meet customer needs and create operational efficiencies in response to increased demand for our services. The increase in general and administrative expense is also attributable a $131,000 increase in rent for our additional office locations. Legal fees decreased by $784,000 from the prior year period due to the settlement of our patent litigation in August 2015.

General and administrative expense primarily increased as a result of a $2.0 million change between the 2015 and 2016 full year periods in our acquisition cost liability related to our acquisition of Ebyline in January 2015 and ZenContent in July 2016. On January 30, 2015, we purchased all of the outstanding shares of capital stock of Ebyline for aggregate consideration up to $8,850,000, including guaranteed payments of $3,350,000 and contingent performance payments up to $5,500,000 based on Ebyline meeting certain revenue targets for each of the three years ending December 31, 2015, 2016 and 2017. We initially determined the fair value of the contingent payments to be $2,210,000. Of this amount, $357,700 was determined to be future compensation expense and the $1,834,300 remainder was determined to be purchase consideration and recorded as acquisition costs payable. During the twelve months ended December 31, 2015, we reassessed the expected revenues to be produced from Ebyline over the next three years and did not believe that it would meet any of the targets required to achieve the performance payments. Therefore, we recorded a gain of $1,834,300 for the twelve months ended December 31, 2015, due to the reduction in our estimated fair value of contingent acquisition costs payable. As described above, we recorded compensation expense of $102,431 during the twelve months ended December 31, 2016 related to the ZenContent acquisition liability. We also determined that the current fair value of the contingent performance payments for ZenContent was $324,000 as of December 31, 2016 versus our original estimate of $230,000 on July 31, 2016 and recorded the $94,000 change as a general and administrative expense.

Depreciation and Amortization

Depreciation expense on property and equipment was $211,769, $253,004, and $206,670 for the twelve months ended December 31, 2017, 2016, and 2015, respectively. Depreciation expense declined in 2017 due to minimal increases in our property and equipment and many of our assets becoming fully depreciated. It increased in 2016 due to an increase in equipment purchased for the additional personnel in 2016.

Our amortization expense increased by $258,191 as a result of additional amortization on the increase in our intangible assets from software costs and the intangibles acquired in the Ebyline and ZenContent acquisitions. Amortization expense related to acquired intangible assets was $994,627, $865,655, and $730,278 for the twelve months ended December 31, 2017, 2016, and 2015, respectively. The portion of this amortization expense specifically related to the costs of acquired technology for our platforms that is presented separately from cost of revenue was $106,000, $79,167, and $55,000 for the twelve months ended December 31, 2017, 2016, and 2015, respectively. Amortization expense related to internal use software development costs that is presented separately from cost of revenue was $310,411, $181,192, and $122,183 for the twelve months ended December 31, 2017, 2016, and 2015, respectively.

Other Income (Expense)

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

Interest expense decreased by $17,994 to $64,950 during the twelve months ended December 31, 2017 compared to the same period in 2016 and by $32,917 to $82,944 during the twelve months ended December 31, 2016 compared to the same period in 2015 primarily due to the lower imputed interest on the remaining balance of acquisition costs payable.

From July 20, 2015 through August 14, 2015, we offered a 25% discount on the warrant exercise prices to investors holding our series A and series B warrants to purchase common stock issued in our August-September 2013 private placement (the “2013 Warrants”) and a 26% discount on the warrant exercise prices to investors holding series A and series B warrants to purchase common stock issued in our February 2014 private placement (the “2014 Warrants” and together with the 2013 Warrants, the "Warrants"). At the close of the offer period on August 14, 2015, Warrants for a total of 2,191,547 shares of common stock were exercised and converted into common stock at an average exercise price of $5.87 per share for total proceeds of $12,861,057 less $3,972 in transaction costs. The amendment of Warrants to reduce the exercise price required us to treat the adjustment as an exchange whereby we computed the fair value of the Warrants immediately prior to the price reduction and the fair value of the Warrants after the price reduction. The $1,845,810 change in the fair value of the Warrants as a result of the price reduction was treated as a loss on exchange and recorded in the consolidated statements of operations during the twelve months ended December 31, 2015.

Changes in the fair value of derivative financial instruments are required to be recorded in other income (expense) in the period of change. We recorded income of $39,269 and $9,163 and a loss of $2,133,820 resulting from the change in the fair value of certain warrants and restricted stock during the twelve months ended December 31, 2017, 2016, and 2015, respectively.

The $44,293 increase and $19,715 decrease in other income (expense) between the periods is primarily the result of currency exchange gains related to our Canadian transactions during the twelve months ended December 31, 2017, 2016, and 2015.

Net Loss

Net loss for the twelve months ended December 31, 2017 was $5,467,699, a $2,092,501improvement from the net loss of $7,560,200 for the same period in 2016. The decrease in net loss was primarily the result of the increased revenues on our Managed Services as discussed above. Net loss for the twelve months ended December 31, 2016 was $7,560,200, which was a decrease from the net loss of $11,308,171 for the same period in 2015. The reduction in net loss was primarily the result increased revenue and reduced costs on revenue along with a reduced expense from the change in the fair value of derivative financial instruments partially offset by the increase in expenses as discussed above.

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Non-GAAP Financial Measures

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

We define gross billings as the total dollar value of the amounts earned from our customers for the services we performed, or the amounts charged to our customers for their self-service purchase of goods and services on our platforms.
This is the amount of our reported revenue plus the cost of payments we made to third-party creators providing the content or sponsorship services which are netted against revenue for GAAP reporting purposes.

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

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

	Twelve Months Ended			Increase (Decrease)	
	December 31, 2017	(As Restated) December 31, 2016	(As Restated) December 31, 2015	2017 vs 2016	2016 vs 2015
Revenue	$24,437,649	$21,234,297	$14,109,685	15 %	50 %
Plus payments made to third-party creators (1)	4,744,325	6,076,306	6,358,241	(22)%	(4)%
Gross billings	$29,181,974	$27,310,603	$20,467,926	7 %	33 %

(1) Payments made to third-party creators for the Content Workflow portion of our revenue reported on a net basis for GAAP.

In prior years, we broke out our gross revenue into categories labeled Sponsored Revenue, Content Revenue and Service Fees. In January 2017, we revised the way we categorize our revenue streams into the current format of Managed Services, Content Workflow and Service Fees & Other to more closely align the revenue streams based on margin profiles and how we analyze our business.

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

Twelve Months Ended

	December 31, 2017		(As Restated) December 31, 2016		(As Restated) December 31, 2015		Increase (Decrease) 2017 vs 2016	Increase (Decrease) 2016 vs 2015
Managed Services	$23,836,236	82 %	$20,393,757	75 %	$13,358,188	65 %	17 %	53 %
Content Workflow	5,094,973	17 %	6,541,684	24 %	6,849,730	34 %	(22)%	(4)%
Service Fees & Other	250,765	1 %	375,162	1 %	260,008	1 %	(33)%	44 %
Total Gross Billings by stream	$29,181,974	100%	$27,310,603	100%	$20,467,926	100%	7 %	33 %

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

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

We use Cash Opex as a percentage of revenue and Adjusted EBITDA as measures of operating performance, for planning purposes, to allocate resources to enhance the financial performance of our business and in communications with our Board of Directors regarding our financial performance. We believe that Cash Opex as a percentage of revenue and Adjusted EBITDA also provide useful information to investors as they exclude transactions not related to our core cash operating business activities, including non-cash transactions, and they provide consistency and facilitate period-to-period comparisons. We believe that excluding these transactions allows investors to meaningfully trend and analyze the performance of our core cash operations. All companies do not calculate Cash Opex and Adjusted EBITDA in the same manner, and Cash Opex and Adjusted EBITDA as presented by us may not be comparable to Cash Opex and Adjusted EBITDA presented by other companies, which limits their usefulness as comparative measures.

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

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

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

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

The following table sets forth a reconciliation from the GAAP measurement of Operating Expenses to our non-GAAP financial measure of Cash Opex and Cash Opex as a percentage of revenue for the twelve months ended December 31, 2017, 2016, and 2015:

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	Twelve Months Ended December 31, 2017	(As Restated) 2016	(As Restated) 2015
Total costs and expenses	$29,913,885	$28,710,641	$21,332,005
Less:			
Non-cash stock-based compensation	635,427	748,092	705,466
Non-cash stock issued for payment of services	181,995	133,897	177,842
(Gain) loss on disposal of equipment	(8,757)	9,435	595
(Gain) loss on settlement of acquisition costs payable	(10,491)	—	—
Increase (decrease) in value of acquisition costs payable	583,010	196,431	(1,834,300)
Depreciation and amortization	1,516,807	1,299,851	1,059,131
Total excluded expenses	2,897,991	2,387,706	108,734
Cash Opex	$27,015,894	$26,322,935	$21,223,271
Revenue	$24,437,649	$21,234,297	$14,109,685
Cash Opex / Revenue	111%	124%	150%

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 twelve months ended December 31, 2017, 2016, and 2015:

	Twelve Months Ended December 31, 2017	(As Restated) 2016	(As Restated) 2015
Net loss	$(5,467,699)	$(7,560,200)	$(11,308,171)
Non-cash stock-based compensation	635,427	748,092	705,466
Non-cash stock issued for payment of services	181,995	133,897	177,842
(Gain) loss on disposal of equipment	(8,757)	9,435	595
(Gain) loss on settlement of acquisition costs payable	(10,491)	—	—
Increase (decrease) in value of acquisition costs payable	583,010	196,431	(1,834,300)
Depreciation and amortization	1,516,807	1,299,851	1,059,131
Loss on exchange of warrants	—	—	1,845,810
Interest expense	64,950	82,944	115,861
Change in fair value of derivatives	(39,269)	(9,163)	2,133,820
Adjusted EBITDA	$(2,544,027)	$(5,098,713)	$(7,103,946)

The improvement in Adjusted EBITDA is the result of our increase in revenue from our Managed Services and the reduction in our cash-based expenses as a percentage of our revenue.

Liquidity and Capital Resources

We had cash and cash equivalents of $3,906,797 as of December 31, 2017 as compared to $5,949,004 as of December 31, 2016, a decrease of $2,042,207 primarily due to the funding of our operating losses. We have incurred significant net losses and negative cash flow from operations for most periods since our inception, which has resulted in a total accumulated deficit of $47,277,420 as of December 31, 2017. To date, we have financed our operations through internally generated revenue from operations and the sale and exercise of our equity securities.

Cash used for operating activities was $2,366,967 during the twelve months ended December 31, 2017 and is the result of expenses exceeding our revenues. Cash used for investing activities was $189,686 during the twelve months ended December 31, 2017 due to the payment of $203,000 related to the development of our proprietary software and purchases of computer and office equipment for our expanded staff. These payments were offset by a net decrease of $13,000 in leasehold deposits on our office space in California. Cash provided by financing activities during the twelve months ended December 31, 2017 was $514,446, which amount consisted primarily of net advances received from our line of credit with Western Alliance Bank. We also received cash of $26,249 from employee stock purchases offset by stock issuance costs of $12,353.

On January 27, 2015, we entered into a Stock Purchase Agreement (the “Ebyline Stock Purchase Agreement”) with Ebyline, Inc. (“Ebyline”), pursuant to which we purchased all of the outstanding shares of capital stock of Ebyline. The Ebyline Stock Purchase Agreement required a cash payment at closing of $1,200,000, a stock issuance of $250,000 paid on July 30, 2015, and $1,877,064 paid in cash or stock in two equal installments of $938,532 on the first and second anniversaries of the closing. On January 29, 2016, we issued 114,398 shares of our common stock to satisfy the first annual guaranteed payment of $938,532 less $89,700 in closing related expenses. On January 30, 2017, we issued 200,542 shares of our common stock to satisfy the second and final annual guaranteed payment of $938,532. The Ebyline Stock Purchase Agreement also required contingent performance payments up to $5,500,000 to be paid if Ebyline met certain revenue targets for each of the three years ending December 31, 2015, 2016 and 2017. None of these targets were met; therefore no amounts are due for contingent performance payments. Therefore, the total consideration paid for the Ebyline acquisition was $3,327,064.

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. Upon closing we paid a cash payment of $400,000 and issued 86,207 shares of our common stock valued at $600,000. The ZenContent Stock Purchase Agreement also requires (i) three equal annual installment payments totaling $1,000,000, commencing 12 months following the closing and (ii) contingent performance payments of up to an aggregate of $2,500,000 over the three 12-month periods following the closing, based upon ZenContent achieving certain minimum revenue thresholds. Of these payments, 33% of each such annual installment or contingent performance payment will be in the form of cash and the remainder of such payment will be in the form of either cash or additional shares of our common stock (determined at our option). If we decide to issue stock rather than make cash payments, this may result in the issuance of substantial amount of shares because the number of shares will be determined using the 30 trading-day volume-weighted average closing price of our common stock prior to the payment. On July 31, 2017, we paid $266,898 all in cash for the first annual installment of $333,333 less $66,435 in working capital adjustments. The revenue produced by the ZenContent platform did not meet the minimum threshold for contingent payments in the first 12-month period ended July 31, 2017, but we estimate that it should exceed the minimum threshold and earn some portion of these amounts during the second and third 12-month periods as evidenced by the increasing value of our estimated acquisition liability.

We have a secured credit facility agreement with Western Alliance Bank, the parent company of Bridge Bank, National Association. Pursuant to this agreement, we may submit requests for funding up to 80% of our eligible accounts receivable up to a maximum credit limit of $5 million. As of December 31, 2017, we had $500,550 outstanding under this agreement. Assuming that all of our accounts receivable balance was eligible for funding, we had remaining available credit of $2,457,180 under the agreement as of December 31, 2017.

We believe that, with our current cash and our available credit line with Western Alliance Bank, we will have sufficient cash reserves available to cover expenses for longer than the next twelve months. Given the volatility in U.S. equity markets and our normal working capital fluctuations along with requirements to maintain minimum levels of stockholders' equity per Nasdaq listing rules, we may seek to raise additional capital at any time to supplement our operating cash flows to the extent we can do so on competitive market terms. In such event, an equity financing may dilute the ownership interests of our common stockholders.

Off-Balance Sheet Arrangements

As of December 31, 2017, we do not engage in any activities involving variable interest entities or off-balance sheet arrangements.

Critical Accounting Policies and Use of Estimates

The preparation of the accompanying financial statements and related disclosures in conformity with GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in the accompanying financial statements and the accompanying notes. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, tax positions and stock-based compensation. When making these estimates and assumptions, we consider our historical experience, our knowledge of economic and market factors and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of the financial statements.

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are customer obligations due under normal trade terms. Uncollectibility of accounts receivable is not significant since most customers are bound by contract and are required to fund us for all the costs of an "opportunity," defined as an order created by a marketer for a creator to develop or share content on behalf of a marketer. If a portion of the account balance is deemed uncollectible, we will either write-off the amount owed or provide a reserve based on the uncollectible portion of the account. 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. We have a reserve of $189,000 for doubtful accounts as of December 31, 2017. We believe that this estimate is reasonable, but there can be no assurance that the estimate will not change as a result of a change in economic conditions or business conditions within the industry, the individual customers or our Company. Any adjustments to this account are reflected in the consolidated statements of operations as a general and administrative expense. Bad debt expense was less than 1% of revenue for the twelve months ended December 31, 2017 and 2016.

Software Development Costs and Acquired Intangible Software

In accordance with Accounting Standards Codification ("ASC") 350-40, Internal Use Software, we capitalize certain internal use software development costs associated with creating and enhancing internally developed software related to our platforms. Software development activities generally consist of three stages (i) the research and planning stage, (ii) the application and development stage, and (iii) the post-implementation stage. Costs incurred in the planning and post-implementation stages of software development, or other maintenance and development expenses that do not meet the qualification for capitalization are expensed as incurred. Costs incurred in the application and infrastructure development stage, including significant enhancements and upgrades, are capitalized. These costs include personnel and related employee benefits expenses for employees or consultants who are directly associated with and who devote time to software projects, and external direct costs of materials obtained in developing the software. As a result, we have capitalized $1,561,351 to software development costs in the consolidated balance sheet as of December 31, 2017. We also acquired additional proprietary software platforms valued at $530,000 during our acquisition of Ebyline and ZenContent. These costs are reflected as intangible assets in the consolidated balance sheet as of December 31, 2017. We do not transfer ownership of our software to third parties. These software development and acquired technology costs are amortized on a straight-line basis over the estimated useful life of five years upon initial release of the software or additional features under depreciation and amortization expense in the consolidated statements of operations.

Revenue Recognition

We derive revenue from managing content services or advertising campaigns for our customers, as well as from making our platforms available to allow customers the ability to purchase content directly from our creators. We categorize our revenue by three primary revenue streams: Managed Services, Content Workflow, and Service Fee Revenue. Managed Services is when a marketer (typically a brand, agency or partner) contracts IZEA to provide custom content, influencer marketing or amplification services. Content Workflow is derived from the self-service use of our platforms by marketers to handle their content workflow, from initial content request to payment of content received or distributed. Service Fee Revenue is generated from various service and license fees charged to users of our platforms.

We recognize revenue when four basic criteria are met: (i) persuasive evidence of an arrangement exists; (ii) services have been rendered or delivery has occurred; (iii) the fees are fixed or determinable; and (iv) collectibility is reasonably assured. We maintain separate arrangements with each marketer and content creator either in the form of a master agreement or terms of service, which specifies the terms of the relationship and access to our platforms, or by statement of work, which specifies the price and the services to be performed, along with other terms. We recognize revenue as the service is being performed, upon delivery of the content or promotion, or upon the completion of a transaction, as detailed further below. We assess whether fees are fixed or determinable based on the contractual terms of the arrangements or when the ordered services are delivered. We assess collectibility based on a number of factors, including the creditworthiness of the customer and payment and transaction history. Revenue is reported depending on whether we function as principal or agent in the transaction. 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 our determination. For transactions in which we are the principal, revenue is reported on a gross basis for 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 our third-party creators as cost of revenue. For transactions in which we are the agent, revenue is reported on a net basis for the amount we charged to the self-service marketer using our platform, less the amounts we paid to our third-party creators providing the service. Based on our evaluations, revenue from our Managed Services and Service Fees are reported on a gross basis and revenue from Content Workflow is reported on a net basis.

For our Managed Services, we enter into an agreement to provide services that may require multiple deliverables in the form of: (i) sponsored social items, such as blogs, tweets, photos or videos shared through social network offerings that provide awareness or advertising buzz regarding the marketer's brand; (ii) content promotion, such as click-through advertisements appearing in websites and social media channels and (iii) original content items, such as a research or news article, informational material or videos that a publisher or other marketer can use. We may provide one type or a combination of all types of these deliverables, including a management fee on a statement of work for a lump sum fee. The agreement typically provides for a cancellation fee if the agreement is canceled by the customer prior to our completion of services. Marketers who use us to manage their advertising campaigns or custom content requests may prepay for services or request credit terms. Payment terms are typically 30 days from the invoice date. Payments received or billings in advance of completed services are recorded as unearned revenue until earned as described below. The deliverables are to be provided over a stated period that may range from one day to one year. Each item is considered delivered once the custom content has been delivered to the customer or once the content is distributed live through a public or social network. Revenue is accounted for separately on each of the deliverables depending on the type of service provided. We recognize revenue related to influencer marketing services after a marketer's sponsored content is posted through IZEAx and shared through a creator's social network. Management fees from customer campaigns managed by us are recognized ratably over the term of the campaign, which may range from a few days to one year. Revenue related to custom content provided to a marketer is recognized when the content is delivered to the customer. We are the principal in these arrangements as we: (i) are the primary obligor in the agreement; (ii) established the purchase prices paid by the buyer; (iii) performed all billing and collection activities including the retention of credit risk; (iv) had latitude in selecting and managing the creators; (v) negotiated the price we pay to the creators for their content and sponsored social services; and (vi) were responsible for the review, compliance and delivery of the services. Accordingly, for these arrangements we report revenue on a gross basis.

For Content Workflow services, the self-service marketer contracts the creators within our platforms directly to provide or distribute custom content in a cost plus transaction fee type arrangement. 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. Revenue is recognized when the transaction is completed by the creator and accepted by the marketer. For these services, in which our platforms connect the marketers and creators, enabling them to negotiate pricing and deliverables along with other terms directly, we report revenue on a net basis because we: (i) are not the primary obligor for the purchase of content and promotion services, but rather provide a platform to facilitate the purchase of these services; (ii) do not have pricing latitude, as pricing is generally determined through direct negotiation between the marketer and creator through our platform and we invoice the marketer based on the negotiated price plus a transaction fee; and (iii) do not directly select the creators, review or approve the content or services provided.

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

Changes in how we control and manage our platforms, our contractual terms, our business practices, or other changes in accounting standards or interpretations, may change the reporting of our revenue. Effective January 1, 2018, we became

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subject to new guidelines for disclosing and accounting for our revenue from contracts with customers. See "Note 1. Summary of Significant Accounting Policies," under Part II, Item 8 of this Annual Report for information on ASC 606 as it relates to our revenue recognition policies.

Stock-Based Compensation

Stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. We estimate the fair value of each stock option as of the date of grant using the Black-Scholes pricing model. Options typically vest ratably over four years with one-fourth of options vesting one year from the date of grant and the remaining options vesting monthly, in equal increments over the remaining three-year period and generally have five or ten-year contract lives. We estimate the fair value of our common stock using the closing stock price of our common stock on the date of the grant. We estimate the volatility of our common stock at the date of grant based on the volatility of comparable peer companies that are publicly traded and have had a longer trading history than us. We determine the expected life based on historical experience with similar awards, giving consideration to the contractual terms, vesting schedules and post-vesting forfeitures. We use the risk-free interest rate on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term approximately equal to the expected life of the award. We have never paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. We estimate forfeitures when recognizing compensation expense and this estimate of forfeitures is adjusted over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment, which is recognized in the period of change, and a revised amount of unamortized compensation expense to be recognized in future periods.
The following table shows the number of options granted under our 2011 Equity Incentive Plans and the assumptions used to determine the fair value of those options during the twelve months ended December 31, 2017 and 2016:

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, 2016	179,998	$6.16	6.0 years	47.95%	1.58%	$2.88
December 31, 2017	141,246	$3.49	6.0 years	50.16%	2.06%	$1.76

There were outstanding options to purchase 1,049,503 shares with a weighted average exercise price of $5.97 per share, of which options to purchase 726,426 shares were exercisable with a weighted average exercise price of $6.24 per share as of December 31, 2017. The intrinsic value on outstanding options as of December 31, 2017 was $159,671. The intrinsic value on exercisable options as of December 31, 2017 was $20,102.

Recent Accounting Pronouncements

See "Note 1. Company and Summary of Significant Accounting Policies," under Part II, Item 8 of this Annual Report for information on additional recent pronouncements.

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

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ITEM 8 - FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
IZEA, Inc.
Winter Park, Florida

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of IZEA, Inc. (the "Company") and subsidiaries as of December 31, 2017, 2016 and 2015, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Restatement to Correct 2016 and 2015 Misstatements
As discussed in Note 2 to the consolidated financial statements, the 2015 and 2016 consolidated financial statements have been restated to correct misstatements.
Basis for Opinion
These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2015.

Tampa, Florida

April 17, 2018

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IZEA, Inc.
Consolidated Balance Sheets

	December 31, 2017	December 31, 2016	December 31, 2015
Assets			
Current:			
Cash and cash equivalents	$3,906,797	$5,949,004	$11,608,452
Accounts receivable, net	3,647,025	3,745,695	3,917,925
Prepaid expenses	389,104	322,377	193,455
Other current assets	9,140	11,940	16,853
Total current assets	7,952,066	10,029,016	15,736,685
Property and equipment, net	286,043	460,650	596,008
Goodwill	3,604,720	3,604,720	2,468,289
Intangible assets, net	667,909	1,662,536	1,806,191
Software development costs, net	967,927	1,103,959	813,932
Security deposits	148,638	161,736	117,946
Total assets	$13,627,303	$17,022,617	$21,539,051
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$1,756,841	$1,438,389	995,275
Accrued expenses	1,592,356	1,242,889	908,519
Unearned revenue	3,070,502	3,315,563	3,584,527
Line of credit	500,550	—	—
Current portion of deferred rent	45,127	34,290	14,662
Current portion of capital lease obligations	—	—	7,291
Current portion of acquisition costs payable	741,155	1,252,885	844,931
Total current liabilities	7,706,531	7,284,016	6,355,205
Deferred rent, less current portion	17,419	62,547	102,665
Acquisition costs payable, less current portion	609,768	688,191	889,080
Warrant liability	—	—	5,060
Total liabilities	8,333,718	8,034,754	7,352,010
Commitments and Contingencies	—	—	—
Stockholders' equity:			
Preferred stock; $.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—	—
Common stock, $.0001 par value; 200,000,000 shares authorized; 5,733,981, 5,456,118 and 5,222,951, respectively, issued and outstanding	573	545	522
Additional paid-in capital	52,570,432	50,797,039	48,436,040
Accumulated deficit	(47,277,420)	(41,809,721)	(34,249,521)
Total stockholders' equity	5,293,585	8,987,863	14,187,041
Total liabilities and stockholders' equity	$13,627,303	$17,022,617	$21,539,051

See accompanying notes to the consolidated financial statements.

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IZEA, Inc.
Consolidated Statements of Operations

	Twelve Months Ended December 31, 2017	(As Restated) 2016	(As Restated) 2015
Revenue	$24,437,649	$21,234,297	$14,109,685
Costs and expenses:			
Cost of revenue (exclusive of amortization)	11,585,316	10,474,769	7,598,537
Sales and marketing	7,593,197	7,989,590	6,286,353
General and administrative	9,218,565	8,946,431	6,387,984
Depreciation and amortization	1,516,807	1,299,851	1,059,131
Total costs and expenses	29,913,885	28,710,641	21,332,005
Loss from operations	(5,476,236)	(7,476,344)	(7,222,320)
Other income (expense):			
Interest expense	(64,950)	(82,944)	(115,861)
Loss on exchange of warrants	—	—	(1,845,810)
Change in fair value of derivatives, net	39,269	9,163	(2,133,820)
Other income (expense), net	34,218	(10,075)	9,640
Total other income (expense), net	8,537	(83,856)	(4,085,851)
Net loss	$(5,467,699)	$(7,560,200)	$(11,308,171)
Weighted average common shares outstanding – basic and diluted	5,674,901	5,380,465	3,737,897
Basic and diluted loss per common share	$(0.96)	$(1.41)	$(3.03)

See accompanying notes to the consolidated financial statements.

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IZEA, Inc.
Consolidated Statement of Stockholders' Equity

	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2014	2,885,424	$ 289	$27,200,536	$(22,941,350)	$4,259,475
Fair value of warrants issued	—	—	51,950	—	51,950
Fair value of 2014 private placement warrants reclassified from liability to equity & loss on exchange	—	—	7,178,035	—	7,178,035
Stock issued for payment of acquisition liability	31,821	3	249,997	—	250,000
Exercise of warrants	2,191,547	219	12,860,838	—	12,861,057
Stock purchase plan issuances	13,403	1	76,169	—	76,170
Stock issued for payment of services	100,756	10	125,982	—	125,992
Stock issuance costs	—	—	(12,933)	—	(12,933)
Stock-based compensation	—	—	705,466	—	705,466
Net loss	—	—	—	(11,308,171)	(11,308,171)
Balance, December 31, 2015	5,222,951	$ 522	$48,436,040	$(34,249,521)	$14,187,041
Stock issued for payment of acquisition liability	200,605	20	1,448,812	—	1,448,832
Stock purchase plan issuances	11,453	1	58,020	—	58,021
Stock issued for payment of services	21,109	2	129,792	—	129,794
Stock issuance costs	—	—	(23,717)	—	(23,717)
Stock-based compensation	—	—	748,092	—	748,092
Net loss	—	—	—	(7,560,200)	(7,560,200)
Balance, December 31, 2016	5,456,118	$ 545	$50,797,039	$(41,809,721)	$8,987,863
Stock issued for payment of acquisition liability	200,542	20	928,021	—	928,041
Stock purchase plan issuances	16,168	2	26,247	—	26,249
Stock issued for payment of services	48,879	5	154,995	—	155,000
Stock issuance costs	—	—	(12,353)	—	(12,353)
Stock-based compensation	12,274	1	676,483	—	676,484
Net loss	—	—	—	(5,467,699)	(5,467,699)
Balance, December 31, 2017	5,733,981	$ 573	$52,570,432	$(47,277,420)	$5,293,585

See accompanying notes to the consolidated financial statements.

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IZEA, Inc.
Consolidated Statements of Cash Flows

	Twelve Months Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net loss	$(5,467,699)	$(7,560,200)	(11,308,171)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation and amortization	211,769	253,004	206,670
Amortization of software development costs and other intangible assets	1,305,038	1,046,847	852,461
(Gain) loss on disposal of equipment	(8,757)	9,435	595
Provision for losses on accounts receivable	40,302	163,000	163,535
Stock-based compensation	635,427	748,092	705,466
Fair value of stock issued for payment of services	181,995	133,897	177,842
Increase in fair value of contingent acquisition costs payable	234,565	94,000	(1,834,300)
Gain on settlement of acquisition costs payable	(10,491)	—	—
Loss on exchange of warrants	—	—	1,845,810
Change in fair value of derivatives, net	(39,269)	(9,163)	2,133,820
Changes in operating assets and liabilities, net of effects of business acquired:			
Accounts receivable	58,368	346,414	(1,608,561)
Prepaid expenses and other current assets	(10,596)	(115,927)	83,244
Accounts payable	318,452	443,114	141,325
Accrued expenses	463,281	17,487	582,851
Unearned revenue	(245,061)	(268,964)	1,783,559
Deferred rent	(34,291)	(20,490)	896
Net cash used for operating activities	(2,366,967)	(4,719,454)	(6,072,958)
Cash flows from investing activities:			
Purchase of equipment	(28,405)	(122,530)	(187,160)
Increase in software development costs	(174,379)	(471,219)	(452,571)
Acquisition, net of cash acquired	—	(329,468)	(1,072,055)
Security deposits	13,098	(43,790)	1,248
Net cash used for investing activities	(189,686)	(967,007)	(1,710,538)
Cash flows from financing activities:			
Proceeds from line of credit	500,550	—	—
Proceeds from stock purchase plan issuances	26,249	58,021	76,170
Proceeds from exercise of warrants	—	—	12,861,157
Stock issuance costs	(12,353)	(23,717)	(12,933)
Payments on capital lease obligations	—	(7,291)	(54,376)
Net cash from financing activities	514,446	27,013	12,870,018
Net increase (decrease) in cash and cash equivalents	(2,042,207)	(5,659,448)	5,086,522
Cash and cash equivalents, beginning of year	5,949,004	11,608,452	6,521,930
Cash and cash equivalents, end of period	$3,906,797	$5,949,004	$11,608,452

Supplemental cash flow information:

Cash paid during the period for interest	$37,898	$21,230	$6,401
Non-cash financing and investing activities:			
Acquisition costs paid through issuance of common stock	$938,532	$1,448,832	$250,000
Fair value of common stock issued for future services	$53,331	$—	$—
Acquisition costs payable for assets acquired	$—	$—	$3,942,639
Fair value of warrants reclassified from liability to equity	$—	$—	$6,530,046
Fair value of warrants issued	$—	$—	$51,950

See accompanying notes to the consolidated financial statements.

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IZEA, Inc.
Notes to the Consolidated Financial Statements

NOTE 1. COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Company creates and operates online marketplaces that connects marketers with content creators. The creators are compensated by IZEA 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 technology platform, which it acquired in January 2015. The Ebyline platform was originally designed as a self-service content marketplace to replace editorial newsrooms in the news agencies with a "virtual newsroom" to handle their content workflow.

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

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

Restatement
In connection with the year-end financial statement close process, the process of evaluating the adoption of the new accounting pronouncement for revenue recognition, and preparation of this Annual Report, the Company determined that its previously issued financial statements included in its Annual Reports on Form 10-K for the years ended December 31, 2015 and 2016 and Quarterly Reports on Form 10-Q for each quarterly period for the years ended December 31, 2015 and 2016, and for the first three quarters for the year ended December 31, 2017 (collectively, the "Restated Periods") should be restated due to classification errors related to the Company's presentation of revenue related to the self-service Content Workflow portion of its revenue and the Company's classification of certain costs within the consolidated statement of operations related to Managed Services. See Notes 2 and 14 for further

information and quantitative information on the Restated Periods.

Cash and Cash Equivalents

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

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are customer obligations due under normal trade terms. Uncollectibility of accounts receivable is not significant since most customers are bound by contract and are required to fund the Company for all the costs of an "opportunity," defined as an order created by a marketer for a creator to develop or share content on behalf of a marketer. If a portion of the account balance is deemed uncollectible, the Company will either write-off the amount owed or provide a reserve based on the uncollectible portion of the account. Management determines the collectibility of accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. The Company had a reserve of $189,000, $237,000, and $139,000 for doubtful accounts as of December 31, 2017, 2016, and 2015, respectively.

IZEA, Inc.
Notes to the Consolidated Financial Statements

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 twelve months ended December 31, 2017, 2016, and 2015.

Concentrations of credit risk with respect to accounts receivable are typically limited because a large number of geographically diverse customers make up the Company’s customer base, thus spreading the trade credit risk. The Company also controls credit risk through credit approvals, credit limits and monitoring procedures. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. The Company had no customers that accounted for more than 10% of total accounts receivable at December 31, 2017 and 2016 and one customer that accounted for 13% of total accounts receivable at December 31, 2015. The Company had no customer that accounted for more than 10% of its revenue during the twelve months ended December 31, 2017, one customer that accounted for 11% of its revenue during the twelve months ended December 31, 2016, and one customer that accounted for 12% of its revenue during the twelve months ended December 31, 2015.

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
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 acquisition of Ebyline and ZenContent. Goodwill is not amortized, but instead it is tested for impairment at least annually. In the event that management determines that the value of goodwill has become impaired, the Company will record a charge for the amount of impairment during the fiscal quarter in which the determination is made.

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

Intangible Assets

The Company acquired the majority of its intangible assets through its acquisition of Ebyline on January 30, 2015 and its acquisition of ZenContent on July 31, 2016. The Company is amortizing the identifiable intangible assets over a period of 12 to 60 months. See Note 5 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-

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adjusted discount rates, which are believed to be consistent with assumptions that marketplace participants would use in their estimates of fair value. For the twelve months ended December 31, 2017, 2016, and 2015, there were no impairment charges associated with the Company's long-lived assets.

Software Development Costs
In accordance with ASC 350-40, Internal Use Software, the Company capitalizes certain internal use software development costs associated with creating and enhancing internally developed software related to its platforms. Software development activities generally consist of three stages (i) the research and planning stage, (ii) the application and development stage, and (iii) the post-implementation stage. Costs incurred in the planning and post-implementation stages of software development, or other maintenance and development expenses that do not meet the qualification for capitalization are expensed as incurred. Costs incurred in the application and infrastructure development stage, including significant enhancements and upgrades, are capitalized. These costs include personnel and related employee benefits expenses for employees or consultants who are directly associated with and who devote time to software projects, and external direct costs of materials obtained in developing the software. These software development and acquired technology costs are amortized on a straight-line basis over the estimated useful life of five years upon initial release of the software or additional features. See Note 6 for further details.

Revenue Recognition
The Company derives revenue from managing content services or advertising campaigns for its customers, as well as from making its platforms available to allow customers the ability to purchase content directly from its creators. In January 2017, the Company revised the way it categorizes its revenue streams to more closely align the revenue based on margin profiles and how it currently analyzes the business. The revised categories are as follows: Managed Services, Content Workflow, and Service Fee Revenue. Managed Services is when a marketer (typically a brand, agency or partner) contracts IZEA to provide custom content, influencer marketing or amplification services. Content Workflow is derived from the self-service use of the Company's platforms by marketers to handle their content workflow, from initial content request to payment of content received or distributed. Service Fee Revenue is generated from various service and license fees charged to users of the Company's platforms.

The Company recognizes revenue when four basic criteria are met: (i) persuasive evidence of an arrangement exists; (ii) services have been rendered or delivery has occurred; (iii) the fees are fixed or determinable; and (iv) collectibility is reasonably assured. The Company maintains separate arrangements with each marketer and content creator either in the form of a master agreement or terms of service, which specifies the terms of the relationship and access to its platforms, or by statement of work, which specifies the price and the services to be performed, along with other terms. The Company recognizes revenue as the service is being performed, upon delivery of the content or promotion, or upon the completion of a transaction, as detailed further below. The Company assesses whether fees are fixed or determinable based on the contractual terms of the arrangements or when the ordered services are delivered. The Company assesses collectibility based on a number of factors, including the creditworthiness of the customer and payment and transaction history. Revenue is reported depending on whether the Company functions as principal or agent in the transaction. 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 is the principal, revenue is reported on a gross basis for the amount paid by the marketer for the purchase of content or sponsorship, promotion and other related services. The Company records the amounts it pays to its third-party creators as cost of revenue. For transactions in which the Company is the agent, revenue is reported on a net basis for the amount the Company charged to the self-service marketer using the platform, less the amounts the Company paid to its third-party creators providing the service. Based on the Company's evaluations, revenue from Managed Services and Service Fees are reported on a gross basis and revenue from Content Workflow is reported on a net basis.

For Managed Services, the Company enters into an agreement to provide services that may require multiple deliverables in the form of: (i) sponsored social items, such as blogs, tweets, photos or videos shared through social network offerings that provide awareness or advertising buzz regarding the marketer's brand; (ii) content promotion, such as click-through advertisements appearing in websites and social media channels; and (iii) original content items, such as a research or news article, informational material or videos that a publisher or other marketer can use. The Company may provide one type or a combination of all types of these deliverables including a management fee on a statement of work for a lump sum fee. These deliverables are to be provided over a stated period that may range from one day to one year. Each item is considered delivered once the custom content has been delivered to the customer or once the content is distributed live through a public or social network. Revenue is accounted for separately on each of the deliverables depending on the type of service provided. The Company recognizes revenue related to influencer marketing services after a marketer's sponsored content is posted through IZEAx and shared through a creator's social network. Management fees from customer campaigns managed by the Company are recognized ratably over the term of the campaign, which may range from a few days to one year. Revenue related to custom content provided to a marketer is recognized when the content is delivered to and accepted by the customer. Payment terms are typically 30 days from the invoice date. If the Company is unable to provide a portion of the services, it may agree with the customer to provide a different type of service or to provide a credit for the value of those services, which may be applied to the existing order or used for future services. The agreement typically provides for a cancellation fee if the agreement is canceled by the customer prior to completion of services. Marketers who use the Company to manage their advertising campaigns or custom content requests may prepay for services or request credit terms. Payments received or billings in advance of completed services are recorded as unearned revenue until earned as described above.

For Content Workflow services, the self-service marketer contracts the creators directly to provide or distribute custom content. 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. Revenue is recognized when the transaction is completed by the creator and accepted by the marketer.

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

Effective January 1, 2018, the Company became subject to new guidelines for disclosing and accounting for its revenue from contracts with customers. See further details below under "Recent Accounting Pronouncements."

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 twelve months ended December 31, 2017, 2016, and 2015 were approximately $324,000, $455,000 and $558,000, respectively. Advertising costs are included in sales and marketing expense in the accompanying consolidated statements of operations.

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

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

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's tax years subject to examination by the Internal Revenue Service are 2013, 2014 and 2015.

Derivative Financial Instruments

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

IZEA, Inc.
Notes to the Consolidated Financial Statements

in current period operating results. Pursuant to ASC 815, an evaluation of specifically identified conditions is made to determine whether the fair value of warrants issued is required to be classified as equity or as a derivative liability.

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

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

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The Company does not have any Level 1 or 2 financial assets or liabilities. The Company’s Level 3 financial liabilities measured at fair value consisted of its acquisition cost liability (see Note 3) as of December 31, 2017, 2016, and 2015, and a warrant liability as of December 31, 2016 and 2015. Significant unobservable inputs used in the fair value measurement of the warrants include the estimated term and risk-adjusted interest rates. In developing its credit risk assumption used in the fair value of warrants, the Company considered publicly available bond rates and US Treasury Yields. However, since the Company does not have a formal credit-standing, management estimated its standing among various reported levels and grades for use in the model. During all periods, management estimated that the Company's standing was in the speculative to high-risk grades (BB- to CCC in the Standard and Poor's Rating). Significant increases or decreases in the estimated remaining period to exercise or the risk-adjusted interest rate could result in a significantly lower or higher fair value measurement.

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

Stock-Based Compensation
Stock-based compensation cost related to stock options granted under the 2011 Equity Incentive Plan and 2011 B Equity Incentive Plan (together, the “2011 Equity Incentive Plans”) (see Note 9) is measured at the grant date, based on the fair value of the award, and is recognized as a straight-lined expense over the employee’s requisite service period. The Company estimates the fair value of each option award on the date of grant using a Black-Scholes option-pricing model that uses the assumptions noted in the table below. The Company estimates the fair value of its common stock using the closing stock price of its common stock on the date of the grant. The Company estimates the volatility of its common stock at the date of grant based on the volatility of comparable peer companies that are publicly traded and have had a longer trading history than itself. The Company determines the expected life based on historical experience with similar awards, giving consideration to the contractual terms, vesting schedules and post-vesting forfeitures. The Company uses the risk-free interest rate on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term approximately equal to the expected life of the award. The Company has never paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future.

The Company used the following assumptions for options granted under the 2011 Equity Incentive Plans during the twelve months ended December 31, 2017, 2016, and 2015:

2011 Equity Incentive Plans Assumptions	Twelve Months Ended December 31, 2017	December 31, 2016	December 31, 2015
Expected term	6 years	6 years	6 years
Weighted average volatility	50.16%	47.95%	55.47%
Weighted average risk free interest rate	2.06%	1.58%	1.65%
Expected dividends	—	—	—

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IZEA, Inc.
Notes to the Consolidated Financial Statements

Effective January 1, 2017, the Company considered its accounting for stock options pursuant to ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This ASU is intended to reduce the cost and complexity of accounting for employee share-based payment transactions primarily surrounding the accounting for income taxes upon vesting or exercise of share-based payments and accounting for forfeitures, as well as related financial statement classifications. Although the new standard allows for the non-use of forfeiture estimates, the Company elected to continue the use of estimated forfeitures when accounting for stock-based compensation, because it has an established history of forfeitures for non-vested options. There was no effect on the Company's financial statements as a result of the adoption of this standard.

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. Average expected forfeiture rates were 8.58%, 9.52%, and 8.32% during the twelve months ended December 31, 2017, 2016, and 2015, respectively.

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

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

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.

Reclassifications
Certain items have been reclassified in the 2016 financial statements to conform to the 2017 presentation. The Company has reclassified wages and other expenses related to its campaign fulfillment personnel out of sales and marketing expense and into cost of revenue (see Notes 2 and 12 for additional details). Additionally, the Company has reclassified its depreciation and amortization expenses out of general and administrative expense and into a separately stated line item labeled depreciation and amortization within the accompanying consolidated statements of operations.

Recent Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) and has subsequently issued additional guidance

materials under ASU No. 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU No. 2016-10, Identifying Performance Obligations and Licensing, and ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients (collectively "ASC 606"), which supersedes nearly all existing revenue recognition guidance under GAAP. Under ASC 606, revenue will be recognized based on a five-step model and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP. The Company has reviewed its sources of revenue in accordance with each of the five steps in the model, which are as follows: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) performance obligations are satisfied. The core principle of ASC 606 is that revenue will be recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Subsequent updates have been issued primarily to provide implementation guidance related to the initial guidance issued in May 2014. ASC 606 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and may be adopted using either (i) a full retrospective method, whereby comparative periods would be restated to present the impact of the new standard, with the cumulative effect of applying the standard recognized as of the earliest period presented, or (ii) a modified retrospective method, under which comparative periods would not be restated and the cumulative effect of applying the standard would be recognized at the date of initial adoption, January 1, 2018.

The Company continues to evaluate the impact of ASC 606 using internal resources and a third-party service provider. As part of its evaluation, the Company is assessing the impact of the new principal versus agent guidance, focusing on whether or not it controls the good or service before transferring it to customers. The Company is also assessing the impact of capitalizing and amortizing incremental costs associated with obtaining and fulfilling customer contracts, specifically set-up costs and commission and incentive payments. The Company is further assessing impact on the Company's future financial disclosures of qualitative and quantitative information concerning the nature, amount, timing, and assumptions used in its determinations of revenue and expected cash flows from contracts with customers. The Company is planning to adopt ASC 606 using the modified retrospective method.

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

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which adds or clarifies guidance on the presentation and classification of eight specific types of cash receipts and cash payments in the statement of cash flows such as debt prepayment or debt extinguishment costs, settlement of contingent consideration arising from a business combination, insurance settlement proceeds, and distributions received from certain equity method investees, with the intent of reducing the existing diversity in practice. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Entities must apply the guidance retrospectively to all periods presented unless retrospective application is impracticable. The Company is adopting this standard in the first quarter of fiscal 2018 and is currently evaluating the impact that this ASU will have on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory (“ASU 2016-16”), which eliminates the current prohibition on immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory, with the intent of reducing complexity and diversity in practice. Under ASU 2016-16, entities must recognize the income tax consequences when the transfer occurs rather than deferring recognition. For public entities, ASU 2016-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Entities must apply the guidance on a modified retrospective basis though a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is adopting this standard in the first quarter of fiscal year 2018 and does not believe there will be any current impact on the consolidated financial statements upon adopting this standard given there are no current intra-entity transfer of assets.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18"). ASU 2016-18 addresses diversity in practice that exists in the classification and presentation of changes in restricted cash within the statement of cash flows and requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company is adopting this standard in the first quarter of fiscal year 2018 and is currently evaluating the impact that adopting this standard will have on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01") . This ASU clarifies the definition of a business and provides guidance on evaluating as to whether transactions should be accounted for as acquisitions (or disposals) of assets or business combinations. The definition clarification as outlined in ASU 2017-01 affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The amendments of ASU 2017-01 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017.

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The Company is adopting this standard in the first quarter of fiscal year 2018 and would apply this standard for business combinations consummated subsequent to January 1, 2018.

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

In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting (“ASU 2017-09”). The amendments in ASU 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The amendments in this update will be applied on a prospective basis to an award modified on or after the adoption date. The Company is adopting this standard in the first quarter of fiscal year 2018 and does not expect that the adoption of this new standard will have an impact on its consolidated financial statements unless it modifies an award in the future, of which there is no current plan.

In July 2017, the FASB issued ASU No. 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features; (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception (“ASU 2017-11”). Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480 because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. ASU 2017-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently in the early stages of evaluating the impact that adopting this standard will have on its consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (“ASU 2017-12”). The amendments in this ASU better align the risk management activities and financial reporting for these hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. ASU 2017-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently in the early stages of evaluating the impact that adopting this standard will have on its consolidated financial statements.

NOTE 2.   RESTATEMENT

In connection with the year-end financial statement close, the process of evaluating the adoption of the new accounting pronouncement for revenue recognition, and preparation of this Annual Report, the Company determined that its previously issued financial statements included in its Annual Reports on Form 10-K for the years ended December 31, 2015 and 2016 and Quarterly Reports on Form 10-Q for each quarterly period for the years ended December 31, 2015 and 2016, and for the first three quarters for the year ended December 31, 2017 (collectively, the “Restated Periods”) should be restated due to classification errors related to the Company's presentation of revenue related to the self-service Content Workflow portion of its revenue and the Company's classification of cost of revenue related to Managed Services.

The Company historically reported revenue from Content Workflow transactions as the gross amounts billed to marketers for their transactions, because the Company previously concluded that it was a principal in these transactions. The Company has determined that it is more appropriately considered as an agent arranging the sale between its self-service customers and its creators in the Content Workflow transactions, which requires reporting revenue on a net transaction basis. As such, the direct costs associated with these transactions previously reported as cost of revenue should be netted directly against revenue in the Company's consolidated statements of operations.

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The Company also determined that cost of revenue related to Managed Services should not only include the direct cost of the content that was being purchased by the Company's customers, but should also include the cost of its internal personnel responsible for fulfilling these services. The Company historically considered and reported the cost of its campaign fulfillment personnel as part of its sales and marketing expenses.

As part of the restatement process, the Company has elected to present depreciation and amortization expense as a separate line item for better visibility of this expense. Additionally, the Company has elected to change its consolidated statement of operations presentation from a two-step presentation, where cost of sales are deducted from revenue to report a gross profit line, to a one-step presentation, where total costs and expenses are deducted from revenue. Because the Company reports some of its revenue on a gross basis and other portions of its revenue on a net basis, the Company believes that this presents a more appropriate representation of its business operations.

The adjustments necessary to correct the errors, the reclassifications and change in the consolidated statement of operations presentation have no impact on the Company's previously reported loss from operations, net loss, loss per share, or on any of the Company's consolidated balance sheets, statements of cash flows, and statements of stockholders' equity. The impact of the restatement on the Company's consolidated statement of operations as of December 31, 2016 and 2015 (based on the Company's current consolidated statement of operations presentation) is as follows:

	Twelve Months Ended December 31, 2016				
	As Previously Reported	Workflow Revenue Adjustment	Campaign Fulfillment Adjustment	Depreciation & Amortization Reclassification	As Restated
Revenue	$27,310,602	$(6,076,305)	$ —		$21,234,297
Costs and expenses:					
Cost of revenue (exclusive of amortization)	14,242,244	(6,076,305)	2,308,830		10,474,769
Sales and marketing	10,261,910		(2,272,320)		7,989,590
General and administrative	10,282,792		(36,510)	(1,299,851)	8,946,431
Depreciation and amortization	—			1,299,851	1,299,851
Total costs and expenses	34,786,946	(6,076,305)	—	—	28,710,641
Loss from operations	(7,476,344)	—	—	—	(7,476,344)
Other income (expense):					
Interest expense	(82,944)				(82,944)
Change in fair value of derivatives, net	9,163				9,163
Other income (expense), net	(10,075)				(10,075)
Total other income (expense), net	(83,856)	—	—	—	(83,856)
Net loss	$(7,560,200)	$—	$ —	$ —	$(7,560,200)
Weighted average common shares outstanding – basic and diluted	5,380,465				5,380,465
Basic and diluted loss per common share	$(1.41)				$(1.41)

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	Twelve Months Ended December 31, 2015				
	As Previously Reported	Workflow Revenue Adjustment	Campaign Fulfillment Adjustment	Depreciation & Amortization Reclassification	As Restated
Revenue	$20,467,926	$(6,358,241)	$ —		$14,109,685
Costs and expenses:					
Cost of revenue (exclusive of amortization)	12,236,916	(6,358,241)	1,719,862		7,598,537
Sales and marketing	7,936,215		(1,649,862)		6,286,353
General and administrative	7,517,115		(70,000)	(1,059,131)	6,387,984
Depreciation and amortization	—			1,059,131	1,059,131
Total costs and expenses	27,690,246	(6,358,241)	—	—	21,332,005
Loss from operations	(7,222,320)	—	—	—	(7,222,320)
Other income (expense):					
Interest expense	(115,861)				(115,861)
Loss on exchange of warrants	(1,845,810)				(1,845,810)
Change in fair value of derivatives, net	(2,133,820)				(2,133,820)
Other income (expense), net	9,640				9,640
Total other income (expense), net	(4,085,851)	—	—	—	(4,085,851)
Net loss	$(11,308,171)	$—	$ —	$ —	$(11,308,171)
Weighted average common shares outstanding – basic and diluted	3,737,897				3,737,897
Basic and diluted loss per common share	$(3.03)				$(3.03)

See Note 14 for information for each unaudited quarterly period for the years ended December 31, 2015 and 2016, and for the unaudited first three quarters for the year ended December 31, 2017.

NOTE 3. BUSINESS ACQUISITIONS

EBYLINE, INC.
On January 30, 2015, the Company purchased all of the outstanding shares of capital stock of Ebyline pursuant to the terms of a Stock Purchase Agreement, dated as of January 27, 2015, by and among IZEA, Ebyline and the stockholders of Ebyline (the “Ebyline Stock Purchase Agreement”) for a maximum purchase price of $8,850,000. The Ebyline Stock Purchase Agreement was made up of a combination of guaranteed payments and contingent performance payments to be paid if Ebyline met certain revenue targets in the three years following the closing. None of these targets were met; therefore no amounts are due for contingent performance payments. Therefore, the total consideration paid for the Ebyline acquisition was $3,327,064.
Purchase Price and Acquisition Costs Payable

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	Estimated Gross Purchase Consideration	Initial Present and Fair Value	Remaining Present and Fair Value	Remaining Present and Fair Value	Remaining Present and Fair Value
	1/30/2015	1/30/2015	12/31/2015	12/31/2016	12/31/2017
Cash paid at closing (a)	$ 1,200,000	$ 1,200,000	$ —	$ —	$ —
Guaranteed purchase price (a)	2,127,064	1,982,639	1,823,711	934,728	—
Contingent performance payments (b)	2,210,000	1,834,300	—	—	—
Acquisition costs payable by Ebyline shareholders(c)	—	—	(89,700)	—	—
Total estimated consideration	$ 5,537,064	$ 5,016,939	$ 1,734,011	$ 934,728	$ —
Current portion of acquisition costs payable			$ 844,931	$ 934,728	$ —
Long term portion of acquisition costs payable			889,080	—	—
Total acquisition costs payable			$ 1,734,011	$ 934,728	$ —

(a) The Ebyline Stock Purchase Agreement required a $1,200,000 cash payment at closing, a $250,000 stock payment on July 30, 2015 and a cash or stock payment of up to an additional $1,900,000 (subject to proportional reduction in the event Ebyline's final 2014 revenue was below $8,000,000). Ebyline's final gross revenue for 2014 was $7,903,429. As such, the additional amount owed became $1,877,064 payable in two equal installments of $938,532 on January 30, 2016 and January 30, 2017. This guaranteed purchase price consideration was discounted to present value using the Company's borrowing rate of prime plus 2%. Interest expense imputed on the acquisition costs payable in the accompanying consolidated statements of operations was $3,804, $49,549, and $91,072 for the twelve months ended December 31, 2017, 2016, and 2015, respectively. Per the Ebyline Stock Purchase Agreement, the Company issued 31,821 shares of its common stock to satisfy the $250,000 guaranteed purchase price payment obligation on July 30, 2015. On January 29, 2016, the Company issued 114,398 shares of its common stock to satisfy the $848,832 annual guaranteed payment of $938,532 less $89,700 in closing related expenses (see item (c) below). On January 30, 2017, the Company issued 200,542 shares of common stock to satisfy the final annual guaranteed payment of $938,532. The Company recorded a $10,491 gain on the settlement of the acquisition costs payable in the accompanying consolidated statements of operations as a result of the difference between the market price of the stock on the settlement date and the 30-day average price of the stock required by the Ebyline Stock Purchase Agreement.

(b) Total contingent performance payments up to $5,500,000 are to be paid based on Ebyline meeting certain revenue targets. The performance payments are to be made only if Ebyline achieves at least 90% of Content Revenue targets of $17,000,000 in 2015, $27,000,000 in 2016 and $32,000,000 in 2017. These revenue targets were assumed on a gross transaction basis. The initial fair value of the $5,500,000 of contingent performance payments was calculated using a Monte-Carlo simulation to simulate revenue over three years. 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 8.5%) and assumed it will follow geometric brownian motion to simulate the revenue at future dates. Once the initial revenue was estimated based off of projections made during the acquisition, payout was calculated for each year and present valued to incorporate the credit risk associated with these payments. The Company's initial value conclusion was based on the average payment from 100,000 simulation trials. The volatility used for the simulation was 35%. The Monte Carlo simulation resulted in an initial calculated fair value of contingent performance payments of $2,210,000 on January 30, 2015. Because the contingent performance payments are subject to a 17% reduction related to the continued employment of certain key employees, ASC 805-10-55-25 indicates that a portion of these payments be treated as potential compensation to be accrued over the term rather than allocated to the purchase price. Therefore, the Company reduced its overall purchase price consideration by $357,700 and recorded the initial present value of the contingent performance payments at $1,834,300. The Content Revenue from 2015-2017 was below 90% of all of the required Content Revenues targets. Therefore, the Company reduced the fair value of contingent performance payments to zero by the end of 2015. The $1,834,300 decrease in the estimated fair value of contingent performance payments was recorded as a reduction of general and administrative expense in the Company's consolidated statement of operations during the year ended December 31, 2015.

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(c) According to the Ebyline Stock Purchase Agreement, $89,700 in closing related expenses paid by Ebyline during the acquisition process were payable by the selling shareholders. These costs were deducted from the guaranteed payment on January 30, 2016.

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 the next three years of $4,500,000.

Purchase Price and Acquisition Costs Payable

	Estimated Gross Purchase Consideration	Initial Present and Fair Value	Remaining Present and Fair Value	Remaining Present and Fair Value
	7/31/2016	7/31/2016	12/31/2016	12/31/2017
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	682,348	606,413
Contingent performance payments (c)	2,500,000	230,000	324,000	744,510
Total estimated consideration	$ 4,433,565	$ 1,796,547	$ 1,006,348	$ 1,350,923
Current portion of acquisition costs payable			$ 318,157	$ 741,155
Long-term portion of acquisition costs payable			688,191	609,768
Total acquisition costs payable			$ 1,006,348	$ 1,350,923

(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 future consideration consists of (i) three equal annual installment payments totaling $1,000,000, commencing 12 months following the closing, less a reduction of $66,435 due to a customary closing date working capital adjustment (“guaranteed purchase price”), and (ii) contingent performance payments up to an aggregate of $2,500,000 over the three 12-month periods following the closing. These payments are also subject to a downward adjustment up to 30% if Brianna DeMike, ZenContent’s co-founder, is terminated by IZEA for cause or if she terminates her employment without good reason. As a result, the Company initially reduced its acquisition cost liability by $300,000 to be accrued as compensation expense over the three-year term rather than allocated to the initial purchase price in accordance with ASC 805-10-55-25. Compensation expense added to the guaranteed acquisition costs payable and recorded as general and administrative expense in the Company's consolidated statement of operations was $162,500 and $102,431for the twelve months ended December 31, 2017 and 2016, respectively. The initial guaranteed purchase price consideration was discounted to present value using the Company's borrowing rate of prime plus 2% (5.5% on July 31, 2016). Interest expense imputed on the guaranteed acquisition costs payable in the accompanying consolidated statement of operations was $28,463 and $13,370 for the twelve months ended December 31, 2017 and 2016.

(c) The contingent performance payments are subject to ZenContent achieving certain minimum revenue thresholds over 36 months. ZenContent is required to meet minimum revenues of $2.5 million, $3.5 million and $4.5 million in the first, second and third, respective 12-month periods following the closing in order to receive any portion of the contingent performance payments. Of these payments, 33% of each such annual installment or contingent performance payment 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 IZEA common stock at then average stock prices (determined at IZEA's option). Additionally, these payments are subject to downward adjustment of up to 30% if Brianna DeMike is terminated by IZEA for cause or she terminates her employment without good reason. The Company initially determined the fair value of the $2,500,000 contingent payments to be $230,000. The fair value of the contingent performance payments is required to be revalued each quarter and is calculated using a Monte-Carlo simulation to simulate revenue over the future periods. Since the contingent consideration has an option like structure, a risk-neutral framework is considered appropriate for the valuation. The Company started with a risk-adjusted measure of forecasted revenue

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(using a risk-adjusted discount rate of 17%) and assumed it will follow geometric brownian motion to simulate the revenue at future dates. Once the initial revenue was estimated based off of projections, payout was calculated for each year and present valued to incorporate the credit risk associated with these payments. The Company's fair value conclusion was based on the average 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% (6.5%). The Company revalued its estimate of the contingent performance payment as of December 31, 2017 based on actual results and projections and the rates noted above and determined that current fair value of the contingent performance payments was $744,510 compared to $324,000 as of December 31, 2016. The change in the estimated fair value of contingent performance payable resulted in a $420,510 increase to general and administrative expense in the Company's consolidated statement of operations during the twelve months ended December 31, 2017. Of this amount, $185,945 was allocated to compensation expense and a gain of $234,565 was allocated as a change in the fair value of the contingent performance payments. The Company recorded a $94,000 increase in the fair value of the contingent performance payments during the twelve months ended December 31, 2016 for the change from the initial value of $230,000 to $324,000 as of December 31, 2016.

Purchase Price Allocation
The consolidated financial statements reflect the allocation of the purchase price to the underlying ZenContent tangible and intangible assets acquired and liabilities assumed based on their respective fair market values with any excess purchase price allocated to goodwill.

The allocation of the purchase price as of July 31, 2016 is summarized as follows:

	Final Purchase Price Allocation
Current assets	$415,798
Property and equipment	4,551
Identifiable intangible assets	722,000
Goodwill	1,136,431
Current liabilities	(482,233)
Total estimated consideration	$1,796,547

The ZenContent operations are included in the consolidated financial statements beginning on the date of acquisition of July 31, 2016. Upon the acquisition, the majority of the acquired assets were transferred to, and employees were hired by, IZEA. The legal entity of ZenContent was dissolved in December 2017. There are $52,665 of pre-acquisition-related costs included in general and administrative expense on the Company's consolidated statement of operations for the twelve months ended December 31, 2016. Post closing acquisition costs related to changes in the acquisition costs payable, including interest, compensation expense and earnout estimate changes, are disclosed in notes (b) and (c) above.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2017	December 31, 2016	December 31, 2015
Furniture and fixtures	$ 254,099	$ 254,206	$ 252,516
Office equipment	74,627	65,463	53,265
Computer equipment	415,928	432,321	421,798

Leasehold improvements	331,418	324,716	314,400
Total	1,076,072	1,076,706	1,041,979
Less accumulated depreciation and amortization	(790,029)	(616,056)	(445,971)
Property and equipment, net	$ 286,043	$ 460,650	$ 596,008

Computer equipment includes items under capital leases totaling $59,458 as of December 31, 2015. Accumulated amortization relating to equipment under capital leases totaled $37,341 as of December 31, 2015. Depreciation expense on property and equipment recorded in depreciation and amortization expense in the accompanying consolidated statements of operations was $211,769, $253,004, and $206,670 for the twelve months ended December 31, 2017, 2016, and 2015, respectively.

NOTE 5. INTANGIBLE ASSETS

The identifiable intangible assets consists of the following assets:

	Balance	Accumulated Amortization	Balance	Accumulated Amortization	Balance	Accumulated Amortization	Useful Life (in years)
	December 31, 2017		December 31, 2016		December 31, 2015		
Content provider networks	$160,000	$ 122,083	$160,000	$ 57,083	$30,000	$ 27,500	1
Trade names	52,000	52,000	52,000	45,000	40,000	36,667	1
Developed technology	530,000	240,167	530,000	134,167	300,000	55,000	3
Self-service content customers	210,000	204,167	210,000	134,167	210,000	64,167	5
Managed content customers	2,140,000	1,905,555	2,140,000	1,192,222	1,790,000	546,944	3
Domains	166,469	66,588	166,469	33,294	166,469	—	5
Total identifiable intangible assets	$3,258,469	$ 2,590,560	$3,258,469	$ 1,595,933	$2,536,469	$ 730,278	

Total identifiable intangible assets from the Ebyline and ZenContent purchase price allocation and other acquired assets net of accumulated amortization thereon consists of the following:

	December 31, 2017	December 31, 2016	December 31, 2015
Ebyline Intangible Assets	$ 2,370,000	$ 2,370,000	$ 2,370,000
ZenContent Intangible Assets	722,000	722,000	—
Domains	166,469	166,469	166,469
Total Intangible Assets	3,258,469	3,258,469	2,536,469
Accumulated amortization	(2,590,560)	(1,595,933)	(730,278)
Intangible Assets, net	$ 667,909	$ 1,662,536	$ 1,806,191

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 $994,627, $865,655, and $730,278 for the twelve months ended December 31, 2017, 2016, and 2015, respectively. The portion of this amortization expense specifically related to the costs of acquired technology for its platforms that is presented separately from cost of services was $106,000, $79,167, and $55,000 for the twelve months ended December 31, 2017, 2016, and 2015, respectively.

As of December 31, 2017, future estimated amortization expense related to identifiable intangible assets over the next five years is set forth in the following schedule:

Year ending December 31:	Amortization Expense
2018	$ 349,433
2019	207,349
2020	84,293
2021	26,834
Total	$ 667,909

NOTE 6.   SOFTWARE DEVELOPMENT COSTS

Software development costs consists of the following:

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	December 31, 2017	December 31, 2016	December 31, 2015
Software development costs	$ 1,561,351	$ 1,492,665	$ 1,021,446
Less accumulated depreciation and amortization	(593,424)	(388,706)	(207,514)
Software development costs, net	$ 967,927	$ 1,103,959	$ 813,932

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. As a result, the Company has capitalized $1,561,351 in direct materials, consulting, payroll and benefit costs to its internal use software development costs in the consolidated balance sheet as of December 31, 2017. The Company amortizes its software development costs, upon initial release of the software or additional features, on a straight-line basis over the estimated the useful life of five years, which is consistent with the amount of time its legacy platforms were in service.

Amortization expense on software development costs that is presented separately from cost of services and recorded in depreciation and amortization expense in the accompanying consolidated statements of operations was $310,411, $181,192 and $122,183 for the twelve months ended December 31, 2017, 2016, and 2015, respectively.

As of December 31, 2017, future estimated amortization expense related to software development costs over the next five years is set forth in the following schedule:

Year ending December 31:	Software Amortization Expense
2018	$ 294,487
2019	226,939
2020	193,611
2021	152,216
2022	82,891
Thereafter	17,783
	$ 967,927

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

As further described in Note 9, the Company has engaged in a series of private placements between 2011 and 2014 which resulted in the issuance of warrants. The Company determined that some of these warrants required classification as a liability due to certain provisions in their terms.

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From July 20, 2015 through August 14, 2015, the Company offered a 26% discount on the warrant exercise prices to investors holding warrants from its February 2014 Private Placement (the "2014 Warrants"). If and to the extent a holder did not exercise its 2014 Warrants at the reduced exercise prices during this time period, the exercise prices of any unexercised 2014 Warrants remained at their original exercise prices of $7.00 and $10.00 per share for the series A and series B 2014 Warrants, respectively. In exchange for the reduction in the warrant exercise price, the investors holding a majority of the 2014 Warrants agreed to amend the 2014 Warrants to remove the price-based anti-dilution adjustment provisions contained in the 2014 Warrants. The removal of these provisions from the 2014 Warrants eliminated the provision that required liability classification of the 2014 Warrants and quarterly non-cash adjustments reflecting changes in the fair value of the derivative liability on the Company's financial statements. Except for the temporarily reduced exercise prices and elimination of the anti-dilution adjustment provisions in the 2014 Warrants, the terms of the 2014 Warrants remain unchanged. As a result of the amendment in the 2014 Warrants terms, the 2014 Warrants no longer require liability classification after August 14, 2015.

At the close of the offer period on August 14, 2015, investors exchanged and converted 1,392,832 shares underlying the 2014 Warrants at the 26% discount for total proceeds of $8,760,805. The amendment of the 2014 Warrants to reduce the exercise price required the Company to treat the adjustment as an exchange whereby it computed the fair value of the 2014 Warrants immediately prior to the price reduction and the fair value of the 2014 Warrants after the price reduction. The $1,197,821 change in the fair value of the 2014 Warrants as a result of the price reduction was treated as a loss on exchange and recorded in the Company's consolidated statements of operations during the twelve months ended December 31, 2015.

As a result of the above transactions, the fair value of $5,348,408 on the 1,392,832 exercised 2014 Warrants and the fair value of $1,181,638 on the 396,536 remaining unexercised 2014 Warrants as of August 14, 2015 was moved to equity as of August 14, 2015.

The Company had 5,502 warrant shares issued in its September 2012 public offering that required classification as a liability due to certain registration rights and listing requirements in the agreements. These warrants expired in September 2017 with no value.
The following table summarizes the Company's activity and fair value calculations of its derivative warrants for the twelve months ended December 31, 2017, 2016, and 2015:

	Linked Common Shares to Derivative Warrants	Warrant Liability
Balance, December 31, 2014	1,795,564	$3,203,465
Exercise of warrants for common stock	(1,392,832)	$(5,348,408)
Loss on exchange of warrants	—	$1,197,821
Reclassification of fair value of 2014 Private Placement warrants to equity	(396,536)	$(1,181,638)
Change in fair value of derivatives	—	$2,133,820
Balance, December 31, 2015	6,196	$5,060
Expiration of warrants	(694)	—
Change in fair value of derivatives	—	(5,060)
Balance, December 31, 2016	5,502	$—
Expiration of warrants	(5,502)	—
Balance, December 31, 2017	—	$—

During the twelve months ended December 31, 2016 and 2015, the Company recorded a gain of $5,060 and a loss of $2,133,820, respectively, due to the change in the fair value of its warrant liability.

The Company's warrants were valued on the applicable dates using a Binomial Lattice Option Valuation Technique (“Binomial”). Significant inputs into this technique as of December 31, 2016 were as follows:

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Binomial Assumptions	December 31, 2016	December 31, 2015
Fair market value of asset (1)	$4.51	$7.66
Exercise price	$25.00	$25.00
Term (2)	0.7 years	1.7 years
Implied expected life (3)	0.7 years	1.7 years
Volatility range of inputs (4)	55.91%	83.00%
Equivalent volatility (3)	55.91%	83.00%
Risk-free interest rate range of inputs (5)	0.85%	1.06%
Equivalent risk-free interest rate (3)	0.85%	1.06%

(1) The fair market value of the asset was determined by using the Company's closing stock price as reflected on the OTCQB for the period ended December 31, 2015 and on the Nasdaq Capital Market for the period ended December 31, 2016.
(2) The term is the contractual remaining term, allocated among twelve equal intervals for purposes of calculating other inputs, such as volatility and risk-free rate.
(3) The implied expected life, and equivalent volatility and risk-free interest rate amounts are derived from the Binomial.
(4) The Company does not have a market trading history upon which to base its forward-looking volatility. Accordingly, the Company selected peer companies that provided a reasonable basis upon which to calculate volatility for each of the intervals described in (2), above.
(5) The risk-free rates used for inputs represent the yields on zero coupon U.S. Government Securities with periods to maturity consistent with the intervals described in (2), above.

NOTE 8. COMMITMENTS & CONTINGENCIES

Credit Agreement

The Company has a secured credit facility agreement with Western Alliance Bank, the parent company of Bridge Bank, N.A. of San Jose, California, which it obtained on March 1, 2013 and expanded on April 13, 2015. Pursuant to this agreement, the Company may submit requests for funding up to 80% of its eligible accounts receivable up to a maximum credit limit of $5 million. This agreement is secured by the Company's accounts receivable and substantially all of the Company's other assets. The agreement renews annually and requires the Company to pay an annual facility fee of $20,000 (0.4% of the credit limit) and an annual due diligence fee of $1,000. Interest accrues on the advances at the rate of prime plus 2% per annum. The default rate of interest is prime plus 7%. As of December 31, 2017, the Company had $500,550 outstanding under this line of credit agreement. The Company had no advances outstanding under this agreement as of December 31, 2016. As of December 31, 2017, the Company had a net accounts receivable balance of $3,647,025. Assuming that all of the Company's accounts receivable balance was eligible for funding, it had $2,457,180 in remaining available credit under the agreement as of December 31, 2017.

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 $21,000, $19,796 and $18,388 of the annual costs through interest expense during the twelve months ended December 31, 2017, 2016, and 2015, respectively. The remaining value of the capitalized loan costs related to the Bridge Bank credit agreement as of December 31, 2017 is $7,000. This amount will be amortized to interest expense over the next four months.

Lease Commitments

Capital Leases

During 2013 and 2014, the Company entered into capital leases for equipment which expired on various dates between December 2015 and January 2016. The Company has no obligations under capital leases as of December 31, 2017 and 2016.

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 expires in April 2019, but is renewable 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 lease term. The Company also occupies flexible office space under monthly membership contracts in Los Angeles, San Francisco, Chicago and Toronto.

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A summary of future minimum lease payments under the Company's non-cancelable leases as of December 31, 2017 is as follows:

Year ending December 31:	Operating Leases
2018	$436,017
2019	113,516
Total minimum lease payments	$549,533

Total rent expense recorded in general and administrative expense in the accompanying consolidated statements of operations was approximately $579,346, $618,940, and $491,543 for the twelve months ended December 31, 2017, 2016, and 2015, 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 twelve months ended December 31, 2017, 2016, and 2015, the Company incurred $201,003, $166,271, and $125,262, respectively, in expense for matching employer contributions.

Litigation
From time to time, the Company may become involved in various lawsuits and legal proceedings that arise in the ordinary course of the Company's business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business. See Note 13 for a recent update on litigation proceedings. The Company is currently not aware of any other legal proceedings or claims that it believes would or could have, individually or in the aggregate, a material adverse effect on its operations or financial position.

NOTE 9. 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.
Reverse Stock Split
On January 6, 2016, the Company filed a Certificate of Amendment with the Secretary of State of Nevada to effect a reverse stock split of the issued and outstanding shares of its common stock at a ratio of one share for every 20 shares outstanding prior to the effective date of the reverse stock split. All current and historical information contained herein related to the share and per share information for the Company's common stock or stock equivalents reflects the 1-for-20 reverse stock split of the Company's outstanding shares of common stock that became market effective on January 11, 2016. There was no change in the number of the Company's authorized shares of common stock.

Nasdaq Uplisting
On January 26, 2016, the Company's shares of common stock commenced trading on the Nasdaq Capital Market under the symbol IZEA. Prior thereto, the Company's common stock was quoted on the OTCQB Marketplace under the same symbol.

Stock Issued for Acquisitions

As further discussed in Note 3, the Company issued 31,821 shares of its common stock to satisfy the $250,000 guaranteed purchase price payment obligation on July 30, 2015 per the Ebyline Stock Purchase Agreement. On January 29, 2016, the Company issued 114,398 shares of its common stock to satisfy the $848,832 annual guaranteed payment of $938,532 less $89,700 in closing related expenses owed as part of the Ebyline Stock Purchase Agreement and on January 30, 2017, the Company issued 200,542 shares of common stock to satisfy the final annual guaranteed payment of $938,532. On July 31, 2016, the Company issued 86,207 shares of IZEA common stock valued at $600,000 as a partial payment of the guaranteed purchase price per the ZenContent Stock Purchase Agreement.

Stock Issued for Services
On April 30, 2015 and on December 29, 2015, the Company issued 1,250 and 1,364 shares, respectively, of common stock valued at $18,700 for employee stock awards during the twelve months ended December 31, 2015.

The Company issued 13,767 shares of common stock valued at $107,292 to five directors for their service as directors of the Company during the twelve months ended December 31, 2015. On August 15, 2015, the Company issued 84,375 shares of common stock to Brian W. Brady for shares granted to him in 2013 as consideration for loans made to the Company.

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The Company issued each of its five independent directors 811 shares of restricted common stock valued at $6,250 for their service as directors of the Company during the first quarter of 2016. On May 16, 2016, the Company issued each of its five independent directors 3,261 shares of restricted common stock valued at $18,750 for their service as directors of the Company for the period of April 2016 through December 2016. The stock vested in equal increments of approximately 362 shares per month. Total shares issued during the twelve months ended December 31, 2016 were 20,360 at a total initial value of $125,000.

On April 11, 2016, the Company issued 749 shares of restricted common stock valued at $4,794 to four employees as a contest award.

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

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

The following table contains summarized information about nonvested restricted stock outstanding during the twelve months ended December 31, 2017 and 2016:

Restricted Stock	Common Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested at December 31, 2014	—	$ —	
Granted	16,381	$ 7.60	
Vested	(16,381)	$ 7.60	
Forfeited	—	$ —	
Nonvested at December 31, 2015	—	$ —	
Granted	21,109	6.15	
Vested	(21,109)	6.34	
Forfeited	—	—	
Nonvested at December 31, 2016	—	$ —	
Granted	61,153	3.24	
Vested	(49,354)	3.72	
Forfeited	—	—	
Nonvested at December 31, 2017	11,799	$ 4.52	3.8

Total expense recognized for stock-based payments for services to non-employees during the twelve months ended December 31, 2017, 2016, and 2015 was $181,995, $133,897, and $125,992, respectively. The fair value of the services is based on the value of the Company's common stock over the term of service. The Company recognized a gain of $39,269 and $4,103, and as a change in the fair value of derivatives during the twelve months ended December 31, 2017 and 2016, respectively, based on the change between the Company's stock price upon issuance and the Company's stock price upon the date of vesting. The fair value of the remaining nonvested, but issued, 11,799 shares of restricted stock as of December 31, 2017 is $53,331, and it is included in prepaid expenses in the accompanying consolidated balance sheets. This value is the current estimate of future compensation expense that is expected to be recognized over the remaining individual vesting periods up to 47 months.

Warrant Transactions
Warrant Issuances:

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On January 22, 2015, the Company issued a warrant to purchase 5,000 shares of common stock to an investor relations consultant. The warrant was fully vested on the date of issuance, has an exercise price of $10.20 per share and expires on January 22, 2020. The fair value of the warrant upon issuance was $7,700 and the Company received $100 as compensation for the warrant. The fair value of the warrant issuance was recorded as an increase in additional paid-in capital in the Company's consolidated balance sheet and the net $7,600 compensation expense was recorded in general and administrative expense during the twelve months ended December 31, 2015.

On June 30, 2015, the Company issued a warrant to purchase 12,500 shares of common stock to an investor relations consultant. The warrant was fully vested on the date of issuance, has an exercise price of $10.20 per share and expires on June 30, 2020. The fair value of the warrant upon issuance was $44,250. The fair value of the warrant issuance was recorded as an increase in additional paid-in capital in the Company's consolidated balance sheet and compensation expense in general and administrative expense during the twelve months ended December 31, 2015.

Warrant Exercises:
From July 20, 2015 through August 14, 2015, the Company offered a 25% discount on the warrant exercise prices to investors holding the series A and series B warrants to purchase common stock issued in its August-September 2013 private placement (the “2013 Warrants”) and a 26% discount on the warrant exercise prices to investors holding series A and series B warrants to purchase common stock issued in its February 2014 private placement (the “2014 Warrants” and together with the 2013 Warrants, the "Warrants"). If and to the extent a holder did not exercise its Warrants at the reduced exercise prices during this time period, the exercise prices of any unexercised Warrants remain at their original exercise prices of $5.00 and $10.00 per share for the series A and series B 2013 Warrants, respectively, and $7.00 and $10.00 per share for the series A and series B 2014 Warrants, respectively.

The warrant exercise offer was made pursuant to the terms of Warrant Amendment and Exercise Agreements, dated July 20, 2015, entered into with holders owning more than 70% of the Company's outstanding 2013 and 2014 Warrants. In exchange for the reduction in the warrant exercise price, the investors holding a majority of the 2014 Warrants agreed to amend the 2014 Warrants to remove the price-based anti-dilution adjustment provisions contained in the 2014 Warrants. The removal of these provisions from the 2014 Warrants eliminated the provision that required liability classification of the 2014 Warrants and quarterly non-cash adjustments reflecting changes in the fair value of the derivative liability on the Company’s financial statements. Except for the temporarily reduced exercise prices and elimination of the anti-dilution adjustment provisions in the 2014 Warrants, the terms of the 2013 Warrants and 2014 Warrants remain unchanged. As a result of the amendment in the 2014 Warrants terms, the 2014 Warrants no longer require liability classification after August 14, 2015 (See Note 7).

At the close of the offer period on August 14, 2015, investors exchanged and converted 1,392,832 shares underlying the 2014 Warrants at the 26% discount for total proceeds of $8,760,805 and 798,715 shares of the 2013 Warrants at the 25% discount for total proceeds of $4,100,252. This resulted in the issuance of a total of 2,191,547 shares of common stock at an average exercise price of $5.87 per share for total proceeds of $12,861,057. The exercise prices of any Warrants not exercised during the Warrant conversion offer period have reverted back to their original exercise prices.

The amendment of the Warrants to reduce the exercise price required the Company to treat the adjustment as an exchange whereby it computed the fair value of the Warrants immediately prior to the price reduction and the fair value of the Warrants after the price reduction. The $1,197,821 and the $647,989 change in the fair value of the 2014 and 2013 Warrants, respectively, as a result of the price reduction, was treated as a $1,845,810 loss on exchange and recorded in the Company's consolidated statement of operations during the twelve months ended December 31, 2015.

As a result of the above transactions, the fair value of $5,348,408 on the 1,392,832 exercised 2014 Warrants and the fair value of $1,181,638 on the 396,536 remaining unexercised 2014 Warrants as of August 14, 2015 was moved to equity as of August 14, 2015. This reclassification plus the $647,989 loss on exchange of the 2013 Warrants already classified as equity reflects a $7,178,035 total change recorded in the Company's consolidated statement of stockholders' equity during the twelve months ended December 31, 2015.

The resale of the common stock underlying the 2013 and 2014 Warrants is covered by IZEA’s Registration Statements on Form S-1 (Registration Nos. 333-191743, 333-195081 and 333-197482), which are on file with the SEC.

Stock Options

In May 2011, the Company's Board of Directors (the “Board”) adopted the 2011 Equity Incentive Plan of IZEA, Inc. (the “May 2011 Plan”). At the Company's 2017 Annual Meeting of Stockholders held on June 21, 2017, the stockholders approved the amendment and restatement of the May 2011 Plan which increased the number of shares of common stock available for issuance under the May 2011 Plan by 500,000 shares. The amended May 2011 Plan allows the Company to grant options to purchase up

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to 1,500,000 shares as an incentive for its employees and consultants. As of December 31, 2017, the Company had 382,523 shares of common stock available for future grants under the May 2011 Plan.

On August 22, 2011, the Company adopted the 2011 B Equity Incentive Plan (the "August 2011 Plan") reserving 4,375 shares of common stock for issuance under the August 2011 Plan. As of December 31, 2017, the Company had 1,875 shares of common stock available for future grants under the August 2011 Plan.

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

A summary of option activity under the 2011 Equity Incentive Plans for the twelve months ended December 31, 2017, 2016, and 2015 is presented below:

Options Outstanding	Common Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2014	595,786	$ 9.20	6.5
Granted	277,059	$ 7.43	
Exercised	—	$ —	
Forfeited	(42,246)	$ 7.70	
Outstanding at December 31, 2015	830,599	$ 8.65	6.8
Granted	179,998	6.16	
Exercised	—	—	
Forfeited	(50,733)	10.15	
Outstanding at December 31, 2016	959,864	$ 8.11	6.4
Granted	141,246	3.49	
Exercised	—	—	
Forfeited	(51,607)	38.86	
Outstanding at December 31, 2017	1,049,503	$ 5.97	6.0
Exercisable at December 31, 2017	726,426	$ 6.24	4.9

During the twelve months ended December 31, 2017, 2016, and 2015, no options were exercised. The fair value of the Company's common stock on December 31, 2017 was $4.52 per share. The intrinsic value on outstanding options as of December 31, 2017 was $159,671. The intrinsic value on exercisable options as of December 31, 2017 was $20,102.

A summary of the nonvested stock option activity under the 2011 Equity Incentive Plans for the twelve months ended December 31, 2017, 2016, and 2015, is presented below:

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Nonvested Options	Common Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested at December 31, 2014	372,092	$ 4.00	3.0
Granted	277,059	$ 3.84	
Vested	(147,759)	$ 4.32	
Forfeited	(39,466)	$ 3.44	
Nonvested at December 31, 2015	461,926	$ 3.84	2.8
Granted	179,998	2.88	
Vested	(187,181)	4.00	
Forfeited	(40,437)	3.76	
Nonvested at December 31, 2016	414,306	$ 3.60	2.6
Granted	141,246	1.76	
Vested	(205,469)	3.36	
Forfeited	(27,006)	3.12	
Nonvested at December 31, 2017	323,077	$ 2.64	2.7

Stock-based compensation cost related to stock options granted under the 2011 Equity Incentive Plans is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. The Company estimates the fair value of each option award on the date of grant using a Black-Scholes option-pricing model that uses the assumptions stated in Note 1. Total stock-based compensation expense recognized on restricted stock and option awards during the twelve months ended December 31, 2017, 2016, and 2015 was $635,427, $748,092, and $705,466, respectively. Stock-based compensation expense was recorded as $13,381 to cost of revenue, $48,708 to sales and marketing, and $573,338 to general and administrative expense in the Company's consolidated statement of operations during the twelve months ended December 31, 2017. Stock-based compensation expense was recorded as $18,903 to cost of revenue, $70,680 to sales and marketing, and $658,509 to general and administrative expense in the Company's consolidated statement of operations during the twelve months ended December 31, 2016. Stock-based compensation expense was recorded as $14,534 to cost of revenue, $33,545 to sales and marketing, and $657,387 to general and administrative expense in the Company's consolidated statement of operations during the twelve months ended December 31, 2015. Future compensation related to nonvested awards as of December 31, 2017 expected to vest of $744,647 is estimated to be recognized over the weighted-average vesting period of approximately two years, six months.

Employee Stock Purchase Plan
On April 16, 2014, stockholders holding a majority of the Company's outstanding shares of common stock, upon previous recommendation and approval of the Board, adopted the IZEA, Inc. 2014 Employee Stock Purchase Plan (the "ESPP") and reserved 75,000 shares of the Company's common stock for issuance thereunder. Any employee regularly employed by the Company for 90 days or more on a full-time or part-time basis (20 hours or more per week on a regular schedule) is eligible to participate in the ESPP. The ESPP operates in successive six months offering periods commencing at the beginning of each fiscal year half. Each eligible employee who elects to participate may purchase up to 10% of their annual compensation in common stock not to exceed $21,250 annually or 1,000 shares per offering period. The purchase price will be the lower of (i) 85% of the fair market value of a share of common stock on the first trading day of the offering period or (ii) 85% of the fair market value of a share of common stock on the last trading day of the offering period. The ESPP will continue until January 1, 2024, unless otherwise terminated by the Board. Employees paid $26,249 to purchase 16,168 shares of common stock during the twelve months ended

December 31, 2017. Employees paid $58,021 to purchase 11,453 shares of common stock during the twelve months ended December 31, 2016. Employees paid $76,170 to purchase 13,403 shares of common stock during the twelve months ended December 31, 2015. As of December 31, 2017, the Company had 33,594 remaining shares of common stock available for future grants under the ESPP.

NOTE 10. EARNINGS (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. Diluted earnings per share is computed by dividing the net income or loss by the total of the basic weighted-average number of shares of common stock outstanding plus the additional dilutive securities that could be exercised or converted into common shares during each period presented less the amount of shares that could be repurchased using the proceeds from the exercises.

	Twelve Months Ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Net loss	$(5,467,699)	$(7,560,200)	$(11,308,171)
Weighted average shares outstanding - basic and diluted	5,674,901	5,380,465	3,737,897
Basic and diluted loss per common share	$(0.96)	$(1.41)	$(3.03)

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:

	Twelve Months Ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Stock options	990,152	889,450	723,834
Warrants	531,969	551,867	1,873,547
Restricted stock units	—	—	58,475
Total excluded shares	1,522,121	1,441,317	2,655,856

NOTE 11. RELATED PARTY TRANSACTIONS

In the warrant exchange transaction completed on August 14, 2015 as discussed in Note 9, the Special Situations Technology Fund II, L.P., Special Situations Private Equity Fund, L.P. and Special Situations Technology Fund, L.P. (collectively, the “Special Situations Funds”), the Company's largest institutional shareholder, and Brian W. Brady, a director of the Company, participated in the transaction by exercising warrants that they received in the Company's previous private placements. The Special Situations Funds made a payment in the amount of $3,414,572 in consideration for 542,858 shares of the Company's common stock, and Mr. Brady made a payment in the amount of $2,460,208 in consideration for 502,940 shares of the Company's common stock. The Special Situations Funds and Mr. Brady exercised their warrants at the same price and on the same terms and conditions as all other warrant holders in the transaction, the negotiation of which terms was led by the Special Situations Funds and other institutional shareholders. Mr. Murphy and Mr. Gardner also participated in the warrant exchange transaction and made payments of $2,741 and $179,715, respectively, in consideration for 436 and 28,572, respective shares of the Company's common stock.

NOTE 12. INCOME TAXES

On December 22, 2017, the Tax Cuts and Jobs Act (“Tax Act”), was signed into law resulting in significant changes to U.S. tax law, generally effective for tax years beginning after December 31, 2017. Among other changes, the Tax Act reduces the U.S. corporate income tax rate to 21 percent from a maximum rate of 34 percent; implements a new system of taxation for non-U.S. earnings, including imposing a one-time tax on the deemed repatriation of undistributed earnings of non-U.S. subsidiaries, permitting deductions for certain dividends from non-U.S. subsidiaries, and expanding income inclusions from controlled foreign corporations; imposes significant additional limitations on the deductibility of interest; and allows for the expensing of certain capital expenditures. In the absence of guidance on various ambiguities in the application of certain provisions of the Tax Act, the Company used what it believes are reasonable interpretations and assumptions in applying the Tax Act. It is possible, however, that the U.S. Internal Revenue Service will issue subsequent guidance or take positions that differ from the Company's interpretations and assumptions, which could have a material adverse effect on its deferred tax assets and liabilities, results of operations, and financial condition.

Because the Company's deferred tax assets and liabilities are fully reserved, there was no impact of the Tax Act on the consolidated financial statements for the twelve months ended December 31, 2017. However, deferred tax balances and related valuation allowances were re-measured to reflect the future tax benefit at the new enacted corporate tax rate of 21%. The U.S. deferred tax assets were reduced by $6.3 million and the valuation allowance was also reduced by $6.3 million. This re-measurement resulted in no net impact to the effective tax rate for the year ended December 31, 2017.

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

	December 31, 2017	December 31, 2016	December 31, 2015
Deferred tax assets:			
Net operating loss carry forwards	$19,362,000	$17,875,000	$15,649,000
Change in federal tax rate	(6,329,000)	—	—
Accrued expenses	270,000	256,000	187,000
Stock option and warrant expenses	698,000	804,000	618,000
Accounts receivable	67,000	90,000	52,000
Deferred rent	24,000	36,000	44,000
Other	1,000	3,000	3,000
Total deferred tax assets	14,093,000	19,064,000	16,553,000
Valuation allowance	(13,860,000)	(18,475,000)	(15,871,000)
Net deferred tax assets	233,000	589,000	682,000
Deferred tax liabilities:			
Fixed and tangible assets	(233,000)	(589,000)	(682,000)
Total deferred tax liabilities	(233,000)	(589,000)	(682,000)
Total deferred tax assets (liabilities)	$—	$—	$—

IZEA, Inc.
Notes to the Consolidated Financial Statements

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

	Twelve Months Ended December 31,		
	2017	2016	2015
Federal income tax at statutory rates	(34.0)%	(34.0)%	(34.0)%
Change in deferred tax asset valuation allowance	(81.7)%	39.0 %	28.8 %
Deferred state taxes	(3.3)%	(3.2)%	(2.5)%
Non-deductible expenses:			
Change in value of acquisition liability	3.7 %	— %	— %
Change in fair value of warrants	— %	— %	6.4 %
ISO stock compensation	1.6		