

IZEA, Inc.
Form S-1/A
August 21, 2012

As filed with the U.S. Securities and Exchange Commission on August 21, 2012

Registration No. 333-181916

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Amendment No. 4 to
FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

IZEA, INC.

(Exact name of registrant in its charter)

Nevada	7310	37-1530765
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

150 North Orange Avenue
Suite 412
Orlando, Florida 32801
(407) 674-6911

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Edward H. (Ted) Murphy
President and Chief Executive Officer
IZEA, Inc.

150 North Orange Avenue
Suite 412
Orlando, Florida 32801
(407) 674-6911

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Spencer G. Feldman, Esq.
Greenberg Traurig, LLP
MetLife Building
200 Park Avenue, 15th Floor
New York, New York 10166
(212) 801-9200

David Danovitch, Esq.
Gersten Savage, LLP
600 Lexington Avenue
9th Floor
New York, New York 10022
(212) 752-9700

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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, check the following box. [X]

Edgar Filing: IZEA, Inc. - Form S-1/A

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) 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 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 post-effective amendment filed pursuant to Rule 462(d) 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. []

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

Large accelerated filer Accelerated filer
 Non-accelerated filer Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered (1)	Amount To Be Registered (2)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee (2)	
Common Stock, par value \$.001 per share	—	—	\$5,000,000.00	\$573.00	
Common Stock, par value \$.001 per share (3)	—	—	\$750,000.00	85.95	
Common Stock in connection with the May 2012 private placement (4)	10,968,960	\$0.115	\$1,261,430.40	144.56	
Underwriter's Warrants to purchase Common Stock (6)	—	\$—	\$—	—	
Common Stock underlying underwriter's Warrants (7)	125,000	\$2.50	\$312,500.00	35.81	
Total Registration Fee				\$839.32	(5)

- (1) The securities noted in the first three rows will be offered under the primary offering prospectus relating to our proposed public offering.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act. This registration statement shall also cover, pursuant to Rule 416 under the Securities Act, any additional shares of common stock that shall become issued to prevent dilution resulting from stock splits, stock dividends or similar transactions.
- (3) Represents shares of common stock that may be issued upon the exercise of a 45-day option granted to the underwriter to cover over-allotments, if any. Estimated solely for the purpose of calculating the registration fee.
- (4) These shares will be offered under the secondary offering prospectus relating to resales by certain selling stockholders of the shares of common stock issued in connection with our private placement in May 2012. Estimated solely for the purpose of calculating the registration fee, and based upon the average of the bid and ask price of the registrant's common stock as reported on the OTCQB marketplace on June 1, 2012, in accordance with Rule 457(c) under the Securities Act.
- (5) A registration filing fee of \$5,558.10 was previously paid in connection with registration statement on Form S-1 (No. 333-177906) and is being carried over. Of this amount, \$1,863.56 was credited to our initial filing. No additional registration filing fee is payable in connection with this amendment.
- (6) In accordance with Rule 457(g) under the Securities Act, because the shares of the Registrant's common stock underlying the underwriter's warrants are registered hereby, no separate registration fee is required with respect to the warrants registered hereby.
- (7) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(g) under the Securities Act. The warrants are exercisable at a per share exercise price equal to 125% of the public

Edgar Filing: IZEA, Inc. - Form S-1/A

offering price. As estimated solely for these purpose of recalculating the registration fee pursuant to Rule 457(g) under the Securities Act, the proposed maximum aggregate offering price of the underwriters' warrants is \$312,500, which is equal to 125% of \$250,000 (5% of \$5,000,000).

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION DATED AUGUST 21, 2012

\$5,000,000 of Shares
Common Stock

We are offering \$5,000,000 of shares of our common stock.

Our common stock is quoted on the OTCQB marketplace and currently trades under the symbol "IZEAD." After August 29, 2012, our shares will trade under the symbol "IZEA". The last reported sale price of our common stock on the OTCQB marketplace on August 17, 2012, was \$2.20 per share.

The registration statement of which this prospectus forms a part also registers on behalf of selling stockholders a total of 274,224 shares of our common stock purchased from us in a private placement in May 2012. Aegis Capital Corp. acted as placement agent for our May 2012 private placement. The shares of our common stock offered by the selling stockholders are not part of or conditioned on the closing of our public offering.

All current and historical information contained in this prospectus related to the share and per share information for our common stock or stock equivalents issued on or after May 12, 2011 reflects the 1-for-40 reverse stock split of our outstanding shares of common stock that became market effective on August 1, 2012.

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

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

	Public Offering Price	Underwriting discount and commissions (1)	Proceeds, before expenses, to us
Per share of common stock	\$	\$	\$
Total	\$	\$	\$

(1) See "Underwriting" for a description of compensation payable to the underwriter and for factors to be considered in determining the public offering price of our shares.

We have granted the underwriter a 45-day option to purchase up to \$750,000 of additional shares of our common stock solely to cover over-allotments, if any.

The underwriter expects to deliver our common stock to purchasers in the offering on or about _____, 2012.

Aegis Capital Corp

The date of this prospectus is _____, 2012.

TABLE OF CONTENTS

	Page
<u>Prospectus Summary</u>	<u>1</u>
<u>The Offering</u>	<u>9</u>
<u>Selected Summary Financial Data</u>	<u>10</u>
<u>Risk Factors</u>	<u>11</u>
<u>Note on Forward-Looking Statements</u>	<u>22</u>
<u>Use of Proceeds</u>	<u>23</u>
<u>Dilution</u>	<u>24</u>
<u>Capitalization</u>	<u>24</u>
<u>Price Range of Common Stock</u>	<u>25</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
<u>Business</u>	<u>36</u>
<u>Management</u>	<u>47</u>
<u>Principal Stockholders</u>	<u>54</u>
<u>Certain Relationships and Related Transactions</u>	<u>55</u>
<u>Description of Securities</u>	<u>57</u>
<u>Shares Eligible for Future Sale</u>	<u>60</u>
<u>Underwriting</u>	<u>62</u>
<u>Disclosure of Commission Position on Indemnification for Securities Act Liabilities</u>	<u>66</u>
<u>Legal Matters</u>	<u>67</u>
<u>Experts</u>	<u>67</u>
<u>Where You Can Find More Additional Information</u>	<u>67</u>
<u>Index to Consolidated Financial Statements</u>	<u>F-1</u>

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

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

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

PROSPECTUS SUMMARY

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

Our Mission

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

Our Company

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

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

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

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

Our Premier Platforms

Our premier platforms are described below:

	SocialSpark	SponsoredTweets	WeReward
Media Format	Blog posts	Status updates	Actions / check-ins
Content	Long form text/video content	Short form text content	Short form text & photo content
Best used for	<ul style="list-style-type: none"> • In-depth reviews • Buzz • Long term traffic generation • E-commerce "Deals" 	<ul style="list-style-type: none"> • Short term traffic generation • Buzz • Awareness 	<ul style="list-style-type: none"> • Driving purchases • Customer data • Short term traffic generation
Payment Model	<ul style="list-style-type: none"> • Cost per blog post • Cost per purchase 	<ul style="list-style-type: none"> • Cost per tweet • Cost per click 	<ul style="list-style-type: none"> • Cost per action
Targeting	<ul style="list-style-type: none"> • Blog traffic • Blog category / keywords • Blogger country 	<ul style="list-style-type: none"> • Tweeter followers • Tweeter category / keywords • Tweeter country 	<ul style="list-style-type: none"> • Mobile user current location • Mobile user age / sex
Metrics Gathered	<ul style="list-style-type: none"> • Impressions / CPM • Clicks / CPC • CTR • Cost per action / sale 	<ul style="list-style-type: none"> • Followers / CPMF • Clicks / CPC • Engagement • Cost per action / sale 	<ul style="list-style-type: none"> • Cost per action / sale • Revenue generated / ROI • Loyalty
Effective Media Lifespan	Years	1-2 Days	1-2 Days (media) Years (data)
Works best for	<ul style="list-style-type: none"> • Complex products • Distribution of embeds • Evergreen products/brands • E-commerce "deals" 	<ul style="list-style-type: none"> • Time sensitive product launches • Celebrity engagement • Viral content 	<ul style="list-style-type: none"> • Driving specific actions • Customer data gathering • Building loyalty

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

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

In all platforms, advertisers, or our account management staff, acting on the advertisers' behalf as part of the account management services we provide to advertisers for a fee, have the ability to review the publishers' content to verify whether or not it conforms to the requirements of the advertising opportunity. Our SocialSpark and SponsoredTweets platforms provide for the ability to review publishers' content prior to publishing, and all the other platforms provide

for a review after the content is published. If the content does not conform, the publisher is requested to make any necessary adjustments. If the publisher refuses, the advertising opportunity is deemed to have been withdrawn. Neither the advertiser nor our account management staff modify publishers' content without the publishers' involvement and consent.

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

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

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

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

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

Our Industry

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

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

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

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

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

Our Strengths

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

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

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

Powerful network effect. As more brand marketers contribute opportunities into our marketplaces, we believe we will increase the breadth and depth of the monetization value offered to our social media publisher-partners, attracting

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

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

Our Growth Strategy

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

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

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

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

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

Develop talent relationships within Staree, our newest platform. Creating partnerships with top talent agencies around the world to target celebrities to leverage Staree, our mobile platform designed to help monetize personal social multimedia content, in their day-to-day social media strategy. In May 2012, we entered into celebrity spokesperson agreements with television personality Mario Lopez, Latin Grammy Award-winning recording artist Daddy Yankee, and actors/musicians Logan Henderson and Kendall Schmidt from the band Big Time Rush, pursuant to which they provide us with various endorsement services related to the promotion of Staree. The launch of Staree.com has been our most successful product launch to date, generating 7.4 million page views in its first 60 days, compared to 2.1

million page views for SocialSpark.com and 323 thousand page views for SponsoredTweets.com. We have completed development on a new iPhone version of the Staree mobile app. The new version enables in-app purchases of photos and is currently in the Apple App Store approval process. We expect to receive approval and begin selling in-app items during the month of August 2012.

Business Risks and Uncertainties

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

• We have incurred significant net losses since our inception. We incurred net losses of \$2,157,759 and \$3,978,592 for

6

the years ended December 31, 2010 and December 31, 2011, respectively. We incurred a net loss of \$2,576,579 in the six months ended June 30, 2012. We expect to continue to incur losses in 2012.

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

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

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

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

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

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

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

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

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

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

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

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

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

Recent Developments

Election of Independent Directors

We recently added three independent board members, bringing additional industry expertise, experience and corporate governance to our company. Daniel R. Rua, a Managing Partner of Inflexion Partners, and Ed Sim, a Managing Partner of

7

BOLDstart Ventures, share similar backgrounds as venture capital investors and board members in many early-stage and technology growth companies. Both men have extensive expertise in capital markets, as well as mergers and acquisitions having been involved in sale of their portfolio companies to large organizations within our industry.

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

Private Investments by Executive Officers and Directors

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

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

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

Private Placement and Concurrent Offering

On May 8 and 15, 2012, we sold a total of 274,224 shares of our common stock at a purchase price of \$5.00 per share, receiving gross proceeds of \$1,371,120, in a private placement to accredited investors. Aegis Capital Corp., the underwriter in this offering, acted as the placement agent in the May 2012 private placement and received placement fees of \$97,612. The registration statement of which this prospectus forms a part also registers on behalf of selling stockholders the shares of our common stock purchased from us in the May 2012 private placement. The shares of our common stock offered by the selling shareholders are not part of or conditioned on the closing of our public offering.

Corporate Background and Information

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

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

THE OFFERING

Common stock offered: \$5,000,000 of shares of common stock (\$5,750,000 of shares if the underwriter exercises its over-allotment option).

Common stock outstanding before the offering: 1,848,015 shares

Common stock to be outstanding after the offering: 3,848,015 shares (1)

Use of proceeds: We intend to use the net proceeds of this offering, which we expect to be approximately \$4,360,000, for sales and client relations, marketing, technology and platform engineering, establishment of strategic partnerships, repayment of an outstanding promissory note and working capital and general corporate purposes. For a more complete description of our anticipated use of proceeds from this offering, see "Use of Proceeds."

OTCQB symbol: IZEAD. After August 29, 2012, our shares will trade under the symbol "IZEA".

Risk factors: As part of your evaluation of our company, you should take into account not only our business plan and strategy, but also special risks we face in our business, including those described under "Business Risks and Uncertainties" on page 6. For a detailed discussion of these and other risks, see "Risk Factors" beginning on page 11.

(1) Includes \$5,000,000 of shares to be issued in this offering at an assumed public offering price of \$2.50 per share.

The number of shares of our common stock to be outstanding after this offering is based on 1,848,015 shares of common stock outstanding as of August 17, 2012, and excludes as of that date:

- 5 shares of series A preferred stock convertible into an aggregate of 3,788 shares of common stock;
- warrants to purchase an aggregate of 18,434 shares of common stock;
- stock options to purchase an aggregate 398,120 shares of common stock, and an aggregate of 251,865 additional shares of common stock reserved for future issuance under our 2011 Equity Incentive Plan of IZEA, Inc. adopted on May 12, 2011 (the "May 2011 Equity Incentive Plan") and an aggregate of 50,000 shares of common stock reserved for future issuance under our 2011 B Equity Incentive Plan of IZEA, Inc. adopted on August 22, 2011 (the "August 2011 Equity Incentive Plan");
- 33,333 shares of common stock that may become issuable upon the conversion of our convertible promissory note in the principal amount of \$75,000, assuming a conversion price of \$2.25 per share; and
- 244,445 shares of common stock that may become issuable upon the conversion of our senior secured promissory note in the principal amount of \$550,000, assuming a conversion price of \$2.25 per share. We intend to repay this promissory note from the net proceeds of this offering.

Unless otherwise specifically stated, all information in this prospectus assumes (i) no exercise of the underwriter's over-allotment option or the underwriter's warrant, (ii) no exercise of outstanding stock options or warrants to

purchase shares of our common stock, and (iii) no conversion of outstanding preferred stock, the \$75,000 convertible promissory note or the \$550,000 senior secured promissory note into shares of our common stock.

All current and historical information contained in this prospectus related to the share and per share information for our common stock or stock equivalents issued on or after May 12, 2011 reflects the 1-for-40 reverse stock split of our outstanding shares of common stock that became market effective on August 1, 2012.

SELECTED SUMMARY FINANCIAL DATA

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

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

The following table summarizes our balance sheet data as of June 30, 2012 as reported and as adjusted. The as adjusted information gives effect to the receipt of net proceeds of approximately \$4,360,000 from the sale of \$5,000,000 of shares of our common stock at an assumed offering price of \$2.50 per share, and the repayment of our outstanding \$550,000 senior secured promissory note.

Consolidated Balance Sheet Data:	As of June 30, 2012	
	Actual (unaudited)	As Adjusted for this Offering and Note Repayment (unaudited)
Cash and cash equivalents	\$190,225	\$4,000,225
Working capital (deficit)	(2,302,270)	2,018,423
Total assets	1,404,754	5,214,754
Total liabilities (1)	3,490,068	2,979,375
Total stockholders' equity (deficit)	(2,085,314)	2,235,379

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

RISK FACTORS

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

Risks Related to our Business

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

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

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

As of June 30, 2012, our total stockholders' deficit was \$2,085,314 and we had a working capital deficit of \$2,302,270. Primarily as a result of our losses and limited cash balances, our independent registered public accounting firm has included in its report for the year ended December 31, 2011 an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is contingent upon, among other factors, the sale of the shares of our common stock in this offering or obtaining alternate financing. If we are not able to complete this offering or obtain alternate financing, we may be forced to limit or cease our operations.

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

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

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

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

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

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

results of operation and financial condition could be materially harmed.

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

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

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

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

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

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

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

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

bankruptcies. If we are unable to attract new advertisers in numbers sufficient to grow our business, or if too many advertisers are unwilling to offer products or services with compelling terms through our platforms or offer favorable payment terms to us, our operating results will be adversely affected.

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

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

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

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

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

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

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

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

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

unsubscribed, and should not be considered as representative of the number of persons who continue to actively publish the sponsorships we offer through our platforms.

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

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

- truth-in-advertising;
- user privacy;

- taxation;
- right to access personal data;
- copyrights;
- distribution; and
- characteristics and quality of services.

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

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

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

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

Due to the global nature of social media, it is possible that various states or foreign countries might attempt to regulate our transmissions or levy sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in internet commerce. New or revised international, federal, state or local tax regulations may subject us or our publishers to additional sales, income and other taxes. We cannot predict the effect of current attempts to impose sales, income or

other taxes on commerce over social media. New or revised taxes and, in particular, sales taxes, VAT and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling goods and services over social media. New taxes could also create significant increases in internal costs necessary to capture data, and collect and remit taxes. Any of these events could have an adverse effect on our business and results of operations.

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

A variety of federal, state and international laws and regulations govern the collection, use, retention, sharing and security of consumer data. The existing privacy-related laws and regulations are evolving and subject to potentially differing interpretations. In addition, various federal, state and foreign legislative and regulatory bodies may expand current or enact

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

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

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

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

Our platforms and applications and the network infrastructure that is hosted by third-party providers involve the storage and transmission of advertiser and publisher proprietary information, and security breaches could expose us to a risk of loss of this information, litigation, and potential liability. Our security measures may be breached due to the actions of outside parties, employee error, malfeasance, security flaws in the third party hosting service that we rely upon or otherwise, and, as a result, an unauthorized party may obtain access to our data or our advertisers' or publishers' data. Additionally, outside parties may attempt to fraudulently induce employees, advertisers or publishers to disclose sensitive information in order to gain access to our data or our advertisers' or users' data. Although we do have security measures in place, we have had instances where some publisher accounts were hacked and instances

where customers have used credit cards fraudulently. While these breaches of our security did not result in material harm to our business, any future breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation, and a loss of confidence in the security of our platforms and applications that could potentially have an adverse effect on our business. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose advertisers and publishers.

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

As part of our strategy, we expect to periodically release enhanced versions of our premier platforms and related services. Even if our new versions contain the features and functionality our customers want, in the event we are unable to

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

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

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

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

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

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

“Click-fraud” is a form of online fraud when a person or computer program imitates a legitimate user by clicking on an advertisement for the purpose generating a charge per click without having an actual interest in the target of the advertisement's link. We are exposed to the risk of fraudulent or illegitimate clicks on our sponsored listings. The security measures we have in place, which are designed to reduce the likelihood of click-fraud, detect click-fraud from time to time. While the instances of click-fraud that we have detected to date have not had a material effect on our business, click-fraud could result in an advertiser experiencing a reduced return on their investment in our advertising programs because the fraudulent clicks will not lead to revenue for the advertisers. As a result, our advertisers and

advertising partners may become dissatisfied with our advertising programs, which could lead to loss of advertisers, advertising partners and revenue. In addition, anyone who is able to circumvent our security measures could misappropriate proprietary and confidential information or could cause interruptions in our operations. We may be required to expend significant capital and other resources to protect against such security breaches or to address problems caused by such breaches. Concerns over the security of the Internet and other online transactions and the privacy of users may also deter people from using the Internet to conduct transactions that involve transmitting confidential information.

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

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

enter into royalty or license agreements. If required, we may not be able to obtain such royalty or license agreements, or obtain them on terms acceptable to us.

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

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

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

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

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

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

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

We may not be able to install adequate management information and control systems in an efficient and timely manner, and our current or planned personnel, systems, procedures and controls may not be adequate to support our

future operations. If we are unable to manage growth effectively, our business would be seriously harmed.

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

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

Our future success and our ability to expand our operations will also depend in large part on our ability to attract and retain additional qualified graphic designers, computer scientists, sales and marketing and senior management personnel. Competition for these types of employees is intense due to the limited number of qualified professionals and the high demand

for them, particularly in the Orlando, Florida area, where our headquarters is located. We have in the past experienced difficulty in recruiting qualified personnel. Failure to attract, assimilate and retain personnel, particularly tech and sales and marketing personnel, would have a material adverse effect on our business and potential growth.

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

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

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

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

Risks Relating to our Common Stock and this Offering

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

On February 3, 2012, we and our subsidiary, IZEA Innovations, Inc., jointly issued a senior secured promissory note in the principal amount of \$550,000 to two of our existing shareholders. According to the terms of the note, if the note is not fully paid by maturity and the note's maturity is automatically extended until February 2, 2013, the noteholders may convert the outstanding principal amount of the note at a conversion price equal to 90% of the closing price of our common stock on the trading day prior to the date that the note becomes convertible. On May 4, 2012, we and our subsidiary, IZEA Innovations, Inc., jointly issued a 30-day promissory note to two of our existing shareholders in the

principal amount of \$75,000. In June 2012, the note was extended until December 4, 2012 and the parties agreed that the noteholders could convert the note at any time on or before the maturity date into shares of common stock at a conversion price equal to the lower of (i) \$5.00 per share or (ii) 90% of the then market price based on a volume weighted average price per share of our common stock as quoted on Bloomberg for the ten trading days prior to the conversion date. The note bears interest at a rate of 8% per annum with a default rate of 18% per annum. The \$75,000 note will automatically convert into shares of our common stock if we complete a public offering of our securities for gross proceeds of not less than \$10,000,000. No payment of accrued interest on the note is required to be made to the noteholders upon such conversion.

The notes have a conversion price based upon the future trading price of our common stock without any “floor” conversion price, which makes the ultimate maximum number of shares to be issued upon conversion indeterminable at this time. The conversion of the note will result in a significant increase in the number of our outstanding shares and substantially dilute the ownership interests of existing stockholders. We have 1,848,015 shares of common stock outstanding as of

August 17, 2012 . Upon completion of this public offering (at an assumed public offering price of \$2.50 per share), there will be approximately 3,848,015 shares of common stock outstanding. It is our intent to pay the \$550,000 senior secured promissory note with proceeds from this public offering. In the event, that the note was not repaid, conversion of both our convertible promissory notes with principal amounts totaling \$625,000 would result in an additional issuance of 277,778 shares of common stock (assuming a conversion price of \$2.25 per share). However, the actual conversion price could be lower resulting in even higher share amounts.

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

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

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

As of August 17, 2012 , we have outstanding stock options and warrants to purchase 416,554 shares of common stock, preferred stock convertible into 3,788 shares of common stock and convertible promissory notes with principal amounts totaling \$625,000 convertible into 277,778 shares of common stock (assuming a conversion price of \$2.25 per share) that could result in our issuing a significant number of additional shares of common stock. Additionally, we have available shares to issue stock options to purchase up to 251,865 shares of common stock under our May 2011 Equity Incentive Plan and up to 50,000 shares of common stock under our August 2011 Equity Incentive Plan. In the future, we may grant additional stock options, warrants and convertible securities. The exercise, conversion or exchange of stock options, warrants or convertible securities will dilute the percentage ownership of our other stockholders. Sales of a substantial number of shares of our common stock could cause the price of our common stock to fall and could impair our ability to raise capital by selling additional securities.

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

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

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

The Sarbanes-Oxley Act and new rules subsequently implemented by the SEC have required changes in corporate governance practices of public companies. As a public company, we expect these new rules and regulations to increase our compliance costs in 2011 and beyond and to make certain activities more time consuming and costly. As a public company, we also expect that these new rules and regulations may make it more difficult and expensive for us

to obtain director and officer liability insurance in the future and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

Our stock price may be volatile.

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

- changes in our industry;

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

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

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

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

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

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

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

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

rules for any significant period, it could have an adverse effect on the market, if any, for our securities. If our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

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

The net proceeds from this offering will be immediately available to our management to use at their discretion. We currently intend to use the net proceeds from this offering for sales and client relations, marketing, technology and platform engineering, establishment of strategic partnerships, repayment of our \$550,000 senior secured promissory note and working capital and general corporate purposes. See "Use of Proceeds." You will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that the net proceeds will be invested in a way that does not

yield a favorable, or any, return for us or our stockholders. The failure of our management to use such funds effectively could have a material adverse effect on our business, prospects, financial condition, and results of operation.

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

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

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

You will incur immediate and substantial dilution as a result of this offering. After giving effect to the sale by us of \$5,000,000 of shares of common stock in this offering at an assumed public offering price of \$2.50 per share, investors in this offering can expect an immediate dilution of \$1.91 per share, or 76.4% at the assumed public offering price. In addition, in the past, we have issued convertible preferred stock, stock options and warrants to acquire shares of our common stock. To the extent these securities are ultimately converted or exercised, you will sustain further dilution. We may also acquire other technologies or finance strategic alliances by issuing equity, which may result in additional dilution to our stockholders.

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

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

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

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

California investors must meet at least one of the following criteria:

• a \$150,000 liquid net worth (a net worth exclusive of home, home furnishings and automobile), plus estimated \$70,000 gross income during the current tax year; or

• a \$250,000 liquid net worth and an investment limitation of not more than 10% of the investor's liquid net worth.

If the offering is approved in California on the basis of a limited offering qualification, we will not have to demonstrate compliance with some of the merit regulations of the California Department of Corporations as found in Title 10,

California Code of Regulations, Rule 260.140 et seq. In addition, the exemptions for secondary trading in California available under California Corporations Code Section 25104(h) will be withheld, although there may be other exemptions to cover private sales in California of a bona fide owner for his own account without advertising and without being effected by or through a broker-dealer in a public offering.

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

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

NOTE ON FORWARD-LOOKING STATEMENTS

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

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

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

USE OF PROCEEDS

We estimate that we will receive net proceeds of \$4,360,000 from the sale of \$5,000,000 of shares of common stock being offered at an assumed public offering price of \$2.50 per share after deducting \$400,000 for underwriting discounts and commissions and our underwriter's non-accountable expense allowance and estimated expenses of approximately \$240,000, which includes legal, accounting, printing costs and various fees associated with the registration of our shares. If the underwriter exercises its right to purchase an additional \$750,000 of shares of common stock, we will receive an additional \$687,500 after deducting \$62,500 for underwriting discounts and commissions. Assuming no exercise of our underwriter's over-allotment option, we intend to use the net proceeds of the offering as follows:

	Application of Net Proceeds	Percentage of Net Proceeds	
Sales and client relations ⁽¹⁾	\$ 1,500,000	34.4	%
Marketing ⁽²⁾	500,000	11.5	%
Technology and platform engineering ⁽³⁾	800,000	18.3	%
Establishment of strategic partnerships ⁽⁴⁾	250,000	5.7	%
Repayment of outstanding promissory note ⁽⁵⁾	550,000	12.6	%
Working capital and general corporate purposes ⁽⁶⁾	760,000	17.5	%
Total	\$4,360,000	100.0	%

(1) Includes the hiring of additional sales personnel.

(2) Includes expenditures associated with marketing and supporting our SMS marketplace platforms.

(3) Consists of costs anticipated to be incurred in connection with the development of new features for our SMS marketplace platforms.

(4) Expenditures in respect of strategic partnerships will include personnel, equipment, facilities, fees and other miscellaneous expenses.

(5) Consists of a senior secured promissory note dated February 3, 2012 in the principal amount of \$550,000, inclusive of \$50,000 in original issue discount, due on February 2, 2013 issued by us and our subsidiary to two existing stockholders of our company. The proceeds of the promissory note were used by us for working capital purposes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" and "Certain Relationships and Related Transactions."

(6) Working capital and general corporate purposes include amounts required to pay officers' salaries and incentive bonuses, professional fees, ongoing public reporting costs, office-related expenses and other corporate expenses including interest, payment of short-term notes and overhead. See "Risk Factors - Our management team will have immediate and broad discretion over the use of the net proceeds from this offering and we may use the net proceeds in ways with which you disagree."

Pending use of the proceeds of this offering, we will invest the net proceeds of this offering in short-term, investment grade, interest-bearing instruments. We currently anticipate that the net proceeds of this offering, together with our available funds, will be sufficient to meet our anticipated needs for working capital and capital expenditures through at least 12 months following the closing of this offering.

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

DILUTION

Our pro forma net tangible book value as of June 30, 2012 was \$(2,172,484) or \$(1.35) per share of common stock, based upon 1,611,230 shares outstanding as of that date. Net tangible book value per share is determined by dividing such number of outstanding shares of common stock, into our net tangible book value, which is our total tangible assets less total liabilities. After giving effect to the sale of the shares of common stock in this offering, the repayment of our outstanding \$550,000 senior secured promissory note and after deducting underwriting discounts and commissions and other estimated expenses of this offering, our pro forma as adjusted net tangible book value at June 30, 2012 would have been approximately \$2,148,209, or \$0.59 per share. This represents an immediate increase in net tangible book value of approximately \$1.94 per share to our existing stockholders, and an immediate dilution of \$1.91 per share to investors purchasing shares in the offering.

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

Assumed public offering price per share		\$2.50
Net tangible book value per share as of June 30, 2012	\$(1.35))
Increase attributable to net proceeds received from this offering and repayment of our \$550,000 senior secured promissory note	\$1.94	
Pro forma net tangible book value per share as of June 30, 2012 after giving effect to this offering		\$0.59
Pro forma dilution per share to new investors in this offering		\$(1.91)
If the underwriter exercises their over-allotment option to purchase \$750,000 of shares of common stock at the assumed offering price of \$2.50 per share, the adjusted net tangible book value after this offering would be \$0.73 per share, representing an increase in net tangible book value of \$2.08 per share to existing shareholders and immediate dilution of \$1.77 per share to new investors in this offering.		

The foregoing illustration does not reflect potential dilution as of August 17, 2012 from (a) the conversion of our outstanding series A preferred stock into 3,788 shares of our common stock, (b) the conversion of our \$75,000 convertible promissory note into 33,333 shares of our common stock or (c) the exercise of outstanding stock options or warrants to purchase an aggregate of 416,554 shares of our common stock.

CAPITALIZATION

The table below sets forth our long term liabilities and capitalization as of June 30, 2012. The as adjusted information gives effect to the receipt of net proceeds of approximately \$4,360,000 from the sale of \$5,000,000 of shares of our common stock at an assumed public offering price of \$2.50 per share, and the repayment of our outstanding \$550,000 senior secured promissory note.

	As of June 30, 2012	
	Actual	As Adjusted for this Offering and Note Repayment
Capitalized lease obligations	(unaudited) \$35,455	(unaudited) \$35,455
Notes payable	572,426	61,733
Stockholders' equity (deficit):		
Series A convertible preferred stock; \$.0001 par value; 240 shares authorized		