

IZEA Holdings, Inc.
Form S-1/A
December 23, 2011

As filed with the U.S. Securities and Exchange Commission on December 23, 2011
Registration No. 333-177906

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

AMENDMENT NO. 1
TO
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

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

150 N. Orange Avenue
Suite 412
Orlando, FL 32801
(407) 674-6911

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

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President and Chief Executive Officer
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

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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. "

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

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

If this Form is a 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):

- | | |
|--|---|
| <input type="checkbox"/> Large accelerated filer | <input type="checkbox"/> Accelerated filer |
| <input type="checkbox"/> Non-accelerated filer (Do not check if a smaller reporting company) | <input checked="" type="checkbox"/> Smaller reporting company |

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (2)
Common Stock, par value \$0.0001 per share (2)(3)	\$ 46,000,000	\$ 5,271.60
Underwriter's Warrants to purchase Common Stock	\$ 0	\$ 0 (4)
Common Stock underlying Underwriter's Warrants (2)	\$ 2,500,000	\$ 286.50
Total Registration Fee	\$ 30,312,500	\$ 5,558.10

- (1) Estimated solely for the purpose of calculating the amount of registration fee pursuant to Rule 457(o) under the Securities Act.
- (2) Pursuant to Rule 416, the securities being registered hereunder include such indeterminate number of additional shares of common stock as may be issued after the date hereof as a result of stock splits, stock dividends or similar transactions.
- (3) Includes 15% of the total number of shares to be offered by us in this offering to cover over-allotments, if any.
- (4) No registration fee required pursuant to Rule 457(g) under the Securities Act.
- * Of the total amount of the registration fee, \$2,002.73 has been previously paid.

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 this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary 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 preliminary prospectus is not an offer to sell these securities, and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION

DECEMBER 23, 2011

Shares
Common Stock

This is a firm commitment public offering of _____ shares of common stock of IZEA, Inc.

Our common stock is quoted on the OTC Bulletin Board under the symbol “IZEA”. We have applied for the listing of our common stock on the Nasdaq Capital Market under the symbol “IZEA”. No assurance can be given that our application will be approved. On December _____, 2011, we effected a one-for-ten reverse stock split of our common stock. All share numbers and per share prices in this prospectus reflect the reverse stock split, unless otherwise indicated. References to a number of shares of common stock in our historical financial statements for the nine month period ended September 30, 2011, and for the years ended December 31, 2010 and 2009, are reported on a pre-reverse stock split basis. On December 22, 2011, the closing price for our common stock was \$7.00 per share, after giving effect to the reverse stock split.

Investing in our common stock involves a high degree of risk. See “Risk Factors” beginning on page 16 of this prospectus for a discussion of information that you should consider before investing in our common stock.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

See “Underwriting” for a description of compensation payable to the underwriters.

We have granted a 45-day option to Aegis Capital Corp., the representative of the underwriters, to purchase up to _____ additional shares of common stock from us solely to cover over-allotments, if any.

The underwriters expect to deliver the shares to purchasers in this offering on or about _____, 2012.

Aegis Capital Corp

The date of this prospectus is _____, 2012.

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IZEA, INC.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any jurisdiction where the offer or sale of these securities is not permitted. You should assume that the information contained in this prospectus is accurate as of the date on the front of this prospectus only. Our business, prospects, financial condition and results of operations may have changed since that date. This prospectus will be updated as required by law.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully. All references to “we,” “us,” the “company” and “IZEA” mean IZEA, Inc., including subsidiaries and predecessors, except where it is clear that the term refers only to IZEA, Inc. Unless otherwise indicated, all information contained in this prospectus assumes that the underwriters will not exercise their over-allotment option or their underwriters' warrants, and that no outstanding stock options, warrants or convertible preferred stock will be exercised or converted. This prospectus contains forward-looking statements, which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.

Our Mission

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

Our Company

We believe we are a world leader in social media sponsorship, operating multiple marketplaces that include our premier platforms SocialSpark, SponsoredTweets and We Reward as well as our legacy platforms PayPerPost and InPostLinks . We generate our revenue through the sale of Social Media Sponsorships (SMS) to our customers. An SMS is when a company compensates a social media publisher to share sponsored content within their social network.

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 and have focused on the scalable monetization of social media ever since. We compensate bloggers, tweeters and mobile promoters (our 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; 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 used in a self-serve fashion or with the assistance of our account management team.

Our Platforms

Our core 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 / CPM • 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 five years of operation. Each platform provides advertisers with access to a large network of publishers, workflow management, content control, payment processing, performance tracking and 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.

The value proposition we offer to both advertisers and 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 50,000 registered advertisers in 157 different countries, of which approximately 6,000 advertisers created a social media sponsorship opportunity during 2011. Advertisers that have used our services include top brands such as Coca-Cola, at&t, Microsoft, Kraft, HP, LG, Audi, Volvo, Hilton, Walgreens, Hershey and Sony. We have over 600,000 registered social media publishers in 179 different countries, of which approximately 80,000 publishers performed an SMS transaction during 2011, including high-profile celebrities. 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 2.7 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 over 80% of our revenue from advertisers for the use of our network of social media publishers to fulfill an advertiser sponsor requests for a blog post, tweet, click, purchase, or action. We derive the remaining 20% of our revenue from various service fees charged to advertisers for management, maintenance and enhancement of their accounts, and to publishers for maintenance and enhancement of their accounts.

Our Industry

Social media advertising was estimated to reach \$1.7 billion in 2010 by Emarketer, an independent digital intelligence firm, and is projected by Forrester Research, an independent research company, to reach \$3.1 billion by 2014. Despite the inherently conversational nature of social media, the majority of 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 social media sponsorship, 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 cut 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,” the complexity and cost of individual social media sponsorship 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 positive rapport among publishers and brand marketers alike. This loyalty has resulted in consistent growth of underlying revenue 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 monetization value offered to our publisher-partners, attracting more publishers and therefore 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% of all traffic to SponsoredTweets.com and 59% of new Twitter publisher signups in 2011. The referral program in SocialSpark.com has accounted for 44% of all new blog publisher sign-ups since its release in February 2011. 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.

Key Risks and Uncertainties Affecting Us

We are subject to numerous risks and uncertainties, including the following:

- We have incurred significant net losses since our inception. We incurred net losses of \$2,653,772, \$2,157,759 and \$2,838,597 for the years ended December 31, 2009, December 31, 2010 and the nine months ended September 30, 2011, respectively. We expect to incur losses through at least 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 social media sponsorship 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 social media sponsorship 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 core 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 social media sponsorship 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 the 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 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.

Our Growth Strategy

After five years of development, we believe our core platforms are market-tested and poised for significant revenue 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 locations . 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 U.S. and the world. Experienced, senior team members are expected to cultivate deep relationships with agencies and brands in our recently opened New York, Los Angeles 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 U.S., we intend to open offices in Asia, Latin America and Europe by the end of 2013. Our goal is to employ over 30 sales personnel by the end of 2013, with an aggregate sales target of \$50 million leading into 2014.
- 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, UTV and we 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 revenue generated from the co-branded service will be shared between us and UTV. UTV’s Indian celebrities including Lara Dutta, Mahesh Bhopati, Anurag Kashyap, Rohan Bopanna and Neetu Chandra, among others, are expected to join the site and soon be available for potential Twitter sponsorship opportunities.

- 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 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 over 12,000 advertisers and 16,000 Twitter publishers in 124 countries.