

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32442

**inuvo**

**Inuvo, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**87-0450450**

(I.R.S. Employer  
Identification No.)

**500 President Clinton Ave., Suite 300 Little Rock, AR**

(Address of principal executive offices)

**72201**

(Zip Code)

**(501) 205-8508**

Registrant's telephone number, including area code

**not applicable**

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Title of Class**

Common Stock

**April 22, 2016**

24,469,604

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "will," "should," "intend," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," or "continue," or the negative of such terms or other comparable terminology. This report includes, among others, statements regarding our:

- material dependence on our relationships with Yahoo! and Google;
- dependence of our Partner Network segment on relationships with distribution partners, and on the introduction of new products and services, which require significant investment;
- dependence of our Owned and Operated Network segment on our ability to effectively market and attract traffic;
- ability to acquire traffic through other search engines;
- dependence on our financing arrangements with Bridge Bank, N.A. which is collateralized by our assets;
- covenants and restrictions in our grant agreement with the state of Arkansas;
- lack of control over content and functionality of advertisements we display from third-party networks;
- need to keep pace with technology changes;
- fluctuations of quarterly earnings and the trading price of our common stock;
- vulnerability to interruptions of services;
- dependence on key personnel;
- vulnerability to regulatory and legal uncertainties and our ability to comply with applicable laws and regulations;
- need to protect our intellectual property;
- vulnerability to publishers who could fabricate clicks;
- dilutive impact to our stockholders from outstanding restricted stock grants, warrants and options;
- seasonality of our business; and
- downturn or uncertainty in global economic conditions.

These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this report in its entirety, including the risks described in Item 1A. Risk Factors appearing in this report, together with those appearing in Item 1A. Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2015 and our subsequent filings with the Securities and Exchange Commission.

Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

## OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, when used in this report the terms "Inuvo," the "Company," "we," "us," "our" and similar terms refer to Inuvo, Inc., a Nevada corporation, and its subsidiaries. When used in this report, "2015" means the fiscal year ended December 31, 2015 and "2016" means the fiscal year ending December 31, 2016. The information which appears on our corporate web site at [www.inuvo.com](http://www.inuvo.com) is not part of this report.

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**INUVO, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**March 31, 2016 (Unaudited) and December 31, 2015**

<b>Assets</b>	<b>2016</b>	<b>2015</b>
<b>Current assets</b>		
Cash	\$ 4,433,537	\$ 4,257,204
Accounts receivable, net of allowance for doubtful accounts of \$16,736 and \$17,200, respectively	5,065,091	7,001,337
Unbilled revenue	8,727	16,154
Prepaid expenses and other current assets	280,619	345,752
<b>Total current assets</b>	<b>9,787,974</b>	<b>11,620,447</b>
Property and equipment, net	1,854,313	1,805,561
<b>Other assets</b>		
Goodwill	5,760,808	5,760,808
Intangible assets, net of accumulated amortization	9,086,657	9,320,951
Other assets	218,745	224,759
<b>Total other assets</b>	<b>15,066,210</b>	<b>15,306,518</b>
<b>Total assets</b>	<b>\$ 26,708,497</b>	<b>\$ 28,732,526</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 7,664,096	\$ 10,080,315
Accrued expenses and other current liabilities	2,860,740	3,169,445
<b>Total current liabilities</b>	<b>10,524,836</b>	<b>13,249,760</b>
<b>Long-term liabilities</b>		
Deferred tax liability	3,799,600	3,799,600
Other long-term liabilities	701,957	722,722
<b>Total long-term liabilities</b>	<b>4,501,557</b>	<b>4,522,322</b>
<b>Stockholders' equity</b>		
Preferred stock, \$.001 par value:		
Authorized shares 500,000, none issued and outstanding	—	—
Common stock, \$.001 par value:		
Authorized shares 40,000,000; issued shares 24,823,798 and 24,752,408, respectively; outstanding shares 24,447,271 and 24,375,881, respectively	24,823	24,752
Additional paid-in capital	129,428,346	129,081,029
Accumulated deficit	(116,374,506)	(116,748,778)
Treasury stock, at cost - 376,527 shares	(1,396,559)	(1,396,559)
<b>Total stockholders' equity</b>	<b>11,682,104</b>	<b>10,960,444</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 26,708,497</b>	<b>\$ 28,732,526</b>

See accompanying notes to the consolidated financial statements.

**INUVO, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For the Three Months Ended March 31, 2016 and 2015**  
**(Unaudited)**

	<b>For the Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Net revenue	\$ 18,730,449	\$ 13,420,947
Cost of revenue	4,285,270	6,069,219
Gross profit	14,445,179	7,351,728
Operating expenses		
Marketing costs	11,065,666	4,922,146
Compensation	1,716,880	1,191,057
Selling, general and administrative	1,259,626	987,766
Total operating expenses	14,042,172	7,100,969
Operating income	403,007	250,759
Interest expense, net	(23,608)	(51,161)
Income from continuing operations before taxes	379,399	199,598
Income tax (expense) benefit	(7,235)	406,453
Net income from continuing operations	372,164	606,051
Net income from discontinued operations	2,110	20,259
Net income	374,274	626,310
<b>Per common share data</b>		
Basic and diluted:		
Net income from continuing operations	\$ 0.02	\$ 0.03
Net income from discontinued operations	—	—
Net income	\$ 0.02	\$ 0.03
<b>Weighted average shares</b>		
Basic	24,381,497	24,086,705
Diluted	24,566,288	24,240,258

See accompanying notes to the consolidated financial statements.

**INUVO, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>For the Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Operating activities:		
Net income	\$ 374,274	\$ 626,310
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Settlement of tax liability	—	(406,453)
Depreciation and amortization	540,562	370,883
Stock based compensation	359,338	51,924
Amortization of financing fees	6,400	9,533
Adjustment of European liabilities related to discontinued operations	(5,144)	(20,461)
Recovery of doubtful accounts	(464)	(80)
Change in operating assets and liabilities:		
Accounts receivable and unbilled revenue	1,944,137	(2,287,739)
Prepaid expenses and other assets	64,747	57,613
Accounts payable	(2,411,075)	1,307,931
Accrued expenses and other liabilities	(299,033)	(837,934)
Other, net	—	11,801
Net cash provided by (used in) operating activities	<u>573,742</u>	<u>(1,116,672)</u>
Investing activities:		
Purchases of equipment and capitalized development costs	(372,598)	(239,427)
Net cash used in investing activities	<u>(372,598)</u>	<u>(239,427)</u>
Financing activities:		
Payments on term note payable and capital leases	(12,859)	(183,725)
Net taxes paid on RSU grants exercised	(11,952)	(251,084)
Net cash used in financing activities	<u>(24,811)</u>	<u>(434,809)</u>
Net change – cash	176,333	(1,790,908)
<b>Cash, beginning of year</b>	<u>4,257,204</u>	<u>3,714,525</u>
<b>Cash, end of period</b>	<u>\$ 4,433,537</u>	<u>\$ 1,923,617</u>
Supplemental information:		
Interest paid	\$ 18,063	\$ 37,075
Income taxes paid	\$ —	\$ 97,483

See accompanying notes to the consolidated financial statements.

**Inuvo, Inc.**  
**Notes to Consolidated Financial Statements**

**Note 1 – Organization and Business**

**Company Overview**

Inuvo, Inc. and subsidiaries ("we", "us" or "our") is an internet advertising technology and digital publishing company.

We develop technology to deliver content and targeted advertisements over the internet. We generate revenue when an end user clicks on the advertisements we delivered. We manage our business as two segments, the Partner Network and the Owned and Operated Network.

The Partner Network delivers advertisements to our partners' owned or managed websites and applications on desktop, tablet and mobile devices. We generate revenue in this segment when an advertisement we serve is clicked. At that time, we share a portion of the revenue we collect from the advertiser with the publishing partner where the click originated. Our proprietary technology platform allows for targeted distribution of advertisements at a scale that measures in the hundreds of millions of advertisements delivered monthly.

The Owned and Operated Network designs, builds and markets consumer websites and applications. This segment consists of our mobile-ready ALOT websites and acquired web properties. The focus is on providing engaging content to our users. The majority of revenue generated by this segment is derived from clicks on advertisements delivered through web searches and advertisements displayed on the websites.

We have taken several significant steps to position our business for long-term success including investments in ad serving technology, the development of adaptive, native advertising technology, the creation of proprietary content, the expansion of publishers within the Partner Network, the continued expansion of direct relationships with advertisers, and the optimization of overhead and operational costs all of which we expect will improve revenue and profitability. Our ALOT-branded websites and applications have a broad appeal focusing on popular topics such as health, local search, finance, careers, travel, living and education. These sites are content rich, searchable, mobile-ready web properties. We plan to continue the expansion of our website and mobile application business by expanding the ALOT brand and acquiring websites. In 2015, we launched our proprietary native advertising solution for web publishers and application developers, "SearchLinks"®. This is our entry product in the fast growing native advertising marketplace where ad copy seamlessly integrates with the content of the host website or application. SearchLinks was made available to the marketplace in the third quarter of 2015. We expect it to be a contributor to growth in 2016.

*Liquidity*

On September 29, 2014, we renewed our Business Financing Agreement with Bridge Bank, N.A. ("Bridge Bank") (see Note 5, "Notes Payable"). The renewal provided continued access to the revolving line of credit up to \$10 million through September 2016 and a new term loan of \$2 million through September 2017. As of March 31, 2016, the balance of both the term loan and the revolving line of credit was zero and the revolving line of credit had approximately \$4.9 million of available credit. During the first quarter of 2014 we filed an S-3 registration statement with the Securities and Exchange Commission ("SEC") to replace the existing, expiring S-3 "shelf" registration statement. Though we believe the revolving line of credit and cash generated by operations will provide sufficient cash for operations over the next twelve months, we may still elect to sell stock to the public or to selected investors, or borrow under the current or any replacement line of credit or other debt instruments in order to fund the development of our technologies, make acquisitions, pursue new business opportunities or grow existing businesses.

*Customer concentration*

We generate the majority of our revenue from two customers, Yahoo! and Google. At March 31, 2016 and December 31, 2015, these two customers combined accounted for 98.6% of our gross accounts receivable balance. For the three months ended March 31, 2016 and March 31, 2015, these two customers combined accounted for 97.4% and 98.3% of net revenue, respectively.

We leverage the advertiser relationships Yahoo! and Google have developed as an alternative to going direct to advertisers. While this strategy creates a concentration risk, it also provides upside opportunities not the least of which include; access to

hundreds of thousands of advertisers across geographies; the ability to scale our business across verticals; a reduction in sales costs associated with direct sales to advertisers; access to innovation; macro level market insight.

## **Note 2 – Summary of Significant Accounting Policies**

### *Basis of presentation*

The consolidated financial statements presented are for Inuvo, Inc. and its consolidated subsidiaries. The accompanying unaudited consolidated financial statements have been prepared based upon SEC rules that permit reduced disclosure for interim periods. Certain information and footnote disclosures have been condensed or omitted in accordance with those rules and regulations. The accompanying consolidated balance sheet as of December 31, 2015, was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. In our opinion, these consolidated financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial condition for the interim periods shown including normal recurring accruals and other items. The results for the interim periods are not necessarily indicative of results for the full year. For a more complete discussion of significant accounting policies and certain other information, this report should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the SEC on February 12, 2016.

### *Use of estimates*

The preparation of financial statements, in accordance with accounting principles generally accepted in the United States ("GAAP"), requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's regular evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. We regularly evaluate estimates and assumptions related to allowances for returns and redemptions, allowances for doubtful accounts, goodwill and purchased intangible asset valuations, lives of intangible assets, deferred income tax asset valuation allowances, contingent liabilities, including the Arkansas grant contingency, and stock compensation. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements, and such differences could be material.

### *Revenue Recognition*

We recognize revenue in accordance with Accounting Standards Codification ("ASC") 605-10 Revenue Recognition. We recognize revenue when the following criteria have been met: persuasive evidence of an arrangement exists, the fees are fixed and determinable, no significant obligations remain and collection of the related receivable is reasonably assured.

Most of our revenue is generated through clicks on advertisements presented on our properties or those of our partners. We recognize revenue from clicks in the period in which the click occurs. Payments to partners who display advertisements we serve are recognized as cost of revenue. Revenue from data sales and commissions is recognized in the period in which the transaction occurs and the other revenue recognition criteria are met.

### *Recent accounting pronouncements*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition" and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers by one year the effective date of ASU 2014-09. Accordingly, this guidance is effective for interim and annual periods beginning after December 15, 2017 with early adoption permitted for interim and annual periods beginning after December 15, 2016. The Company plans to adopt this guidance on January 1, 2018. The Company is currently evaluating the effects, if any, that the adoption of this guidance will have on the Company's financial position, results of operations and cash flows.

In November 2015, FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, to simplify the presentation of deferred income taxes. The amendments in this Update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-



paying component of an entity be offset and presented as a single amount is not affected by the amendments in this Update. The amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The adoption of ASU 2015-17 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard will require all leases with durations greater than twelve months to be recognized on the balance sheet and is effective for interim and annual reporting periods beginning after December 15, 2018, although early adoption is permitted. We believe adoption of this standard will have an impact on our Consolidated Balance Sheets. Although we have not completed our assessment, we do not expect the adoption to change the recognition, measurement or presentation of lease expenses within the Consolidated Statements of Income and Cash Flows.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718)*. This standard makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, although early adoption is permitted. The adoption of ASU 2015-17 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

### Note 3— Property and Equipment

The net carrying value of property and equipment was as follows as of:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Furniture and fixtures	\$ 231,463	\$ 230,637
Equipment	775,713	2,815,748
Software	9,978,535	9,856,947
Leasehold improvements	440,900	436,311
Subtotal	<u>11,426,611</u>	<u>13,339,643</u>
Less: accumulated depreciation and amortization	(9,572,298)	(11,534,082)
Total	<u>\$ 1,854,313</u>	<u>\$ 1,805,561</u>

During the three months ended March 31, 2016 and March 31, 2015 depreciation expense was \$306,268 and \$172,382, respectively.

#### Note 4 – Other Intangible Assets and Goodwill

The following is a schedule of intangible assets from continuing operations as of March 31, 2016:

	Term	Carrying Value	Accumulated Amortization and Impairment	Net Carrying Value	Year-to-date Amortization
Customer list, Google	20 years	\$ 8,820,000	\$ (1,800,750)	\$ 7,019,250	\$ 110,250
Customer list, all other	10 years	1,610,000	(657,433)	952,567	40,251
Trade names, ALOT (1)	5 years	960,000	(784,000)	176,000	48,000
Domain websites (2)	5 years	715,874	(167,034)	548,840	35,793
Trade names, web properties (1)	-	390,000	—	390,000	—
Intangible assets classified as long-term		<u>\$ 12,495,874</u>	<u>\$ (3,409,217)</u>	<u>\$ 9,086,657</u>	<u>\$ 234,294</u>
Goodwill, Partner Network		\$ 1,776,544	\$ —	\$ 1,776,544	\$ —
Goodwill, Owned and Operated Network		3,984,264	—	3,984,264	—
Goodwill, total		<u>\$ 5,760,808</u>	<u>\$ —</u>	<u>\$ 5,760,808</u>	<u>\$ —</u>

- (1) We have determined the ALOT trade names should be amortized over five years and the trade names related to our web properties have an indefinite life, and as such are not amortized.
- (2) On May 8, 2015, we purchased two domain websites with a fair value of \$715,874. We determined they should be amortized over five years (see Note 7).

Our amortization expense over the next five years and thereafter is as follows:

2016	\$ 702,882
2017	777,176
2018	745,176
2019	745,176
2020	613,949
Thereafter	5,112,298
Total	<u>\$ 8,696,657</u>

#### Note 5 - Notes Payable

On March 1, 2012 we entered into a Business Financing Agreement with Bridge Bank. The agreement provided us with a \$5 million term loan and access to a revolving credit line of up to \$10 million which we use to help satisfy our working capital needs. We have provided Bridge Bank with a first priority perfected security interest in all of our accounts and personal property as collateral for the credit facility. Available funds under the revolving credit line are 80% of eligible accounts receivable balances plus \$1 million, up to a limit of \$10 million. Eligible accounts receivable is generally defined as those from United States based customers that are not more than 90 days from the date of invoice. We had approximately \$4.9 million available under the revolving credit line as of March 31, 2016.

In September 2014, the Company entered into the Fifth Business Financing Modification Agreement with Bridge Bank that renewed the existing Agreement and modified some terms. The renewed agreement extended the revolving line of credit to September 2016 and provided for a new term loan of \$2 million through September 2017. As of March 31, 2016, the balance of the term loan and the revolving line of credit were zero. On October 9, 2014, the Agreement was amended to clarify the definition of the financial covenants. The financial covenants are Debt Service Coverage Ratio, measured monthly on a trailing three months basis, of not less than 1.75 to 1.0 for the August 2014 measuring period, and each month measuring period thereafter and an Asset Coverage Ratio, measured monthly, of not less than 1.25 to 1.0 for the months ended August 2014 and September 30, 2014; 1.15 to 1.0 for the months ended October 31, 2014, November 30, 2014 and December 31, 2014, and 1.25

to 1.0 for the month ending January 31, 2015 and each month thereafter. We were in compliance with all bank covenants as of March 31, 2016.

#### Note 6 – Accrued Expenses and Other Current Liabilities

The accrued expenses and other current liabilities consist of the following as of:

	March 31, 2016	December 31, 2015
Accrued marketing costs	\$ 2,068,677	\$ 1,404,488
Accrued sales allowance	250,000	500,000
Contingent stock due for acquired domains, current portion	238,625	238,625
Accrued expenses and other	185,692	294,629
Accrued payroll and commission liabilities	47,045	643,908
Capital leases, current portion	42,279	46,313
Accrued taxes	14,954	13,803
Deferred Arkansas grant, current portion	13,468	27,679
<b>Total</b>	<b>\$ 2,860,740</b>	<b>\$ 3,169,445</b>

#### Note 7 – Other Long-Term Liabilities

Other long-term liabilities consist of the following as of:

	March 31, 2016	December 31, 2015
Contingent stock due for acquired domains, less current portion	\$ 477,249	\$ 477,249
Deferred rent	189,750	198,323
Capital leases, less current portion	22,385	31,210
Deferred Arkansas grant, less current portion	12,573	15,940
<b>Total</b>	<b>\$ 701,957</b>	<b>\$ 722,722</b>

On May 8, 2015, we purchased two domain websites with a fair value of \$715,874 (see Note 4). The purchase consideration is our common stock and is contingent upon the seller attaining specific performance targets over three years.

#### Note 8 – Income Taxes

We have a deferred tax liability of \$3,799,600 as of March 31, 2016, related to our intangible assets.

We also have a net deferred tax asset of approximately \$39,852,000. We believe it is more likely than not that essentially none of our deferred tax assets will be realized, and we have recorded a valuation allowance for the net deferred tax assets that may not be realized as of March 31, 2016.

#### Note 9 - Stock-Based Compensation

We maintain a stock-based compensation program intended to attract, retain and provide incentives for talented employees and directors and align stockholder and employee interests. Currently, we grant options and restricted stock units ("RSUs") from the 2010 Equity Compensation Plan ("2010 ECP"). Option and restricted stock unit vesting periods are generally up to three years.

##### *Compensation Expense*

For the three months ended March 31, 2016 and March 31, 2015, we recorded stock-based compensation expense for all equity incentive plans of \$359,338 and \$51,924, respectively. Total compensation cost not yet recognized at March 31, 2016 was \$2,425,276 to be recognized over a weighted-average recognition period of 1.5 years.

### Significant Grants and Cancellations

On April 20, 2015, we granted members of our board of directors a total of 51,948 RSUs with a weighted average fair value of \$2.31 a share which fully vested on March 31, 2016.

On July 27, 2015 and August 4, 2015, we granted certain employees service and performance RSUs totaling 965,500 shares with a weighted average fair value of \$3.03 per share. The service RSUs vest annually over a three year period, commencing in July 2016, at the rate of 25% of the grant in year one and year two and the remaining 50% of the grant vesting on the third anniversary of the grant date. The awarding of the performance RSUs is contingent upon achieving certain revenue and profit targets and vest annually, one-third upon each anniversary of the grant date.

The following table summarizes the stock grants outstanding under our 2005 Long-Term Incentive Plan ("2005 LTIP") and 2010 ECP plans as of March 31, 2016:

	Options Outstanding	RSUs Outstanding	Options and RSUs Exercised	Available Shares	Total
2010 ECP	250,498	1,047,848	2,017,682	669,917	3,985,945
2005 LTIP (*)	33,748	114,972	835,113	—	983,833
Total	284,246	1,162,820	2,852,795	669,917	4,969,778

(\*) Expired June 2015

### Note 10 – Discontinued Operations

Certain of our subsidiaries previously operated in the European Union ("EU"). Though operations ceased in 2009, statutory requirements required a continued presence in the EU for varying terms until November 2015. Profits and losses generated from the remaining assets and liabilities are accounted for as discontinued operations.

For the three months ended March 31, 2016 and March 31, 2015, we recorded net income of \$2,110 and \$20,259, respectively, which came primarily from an adjustment of certain accrued liabilities originating in 2009 and earlier.

### Note 11 - Earnings per Share

During the three months ended March 31, 2016 and 2015, we generated net income from continuing operations. Accordingly, some of our outstanding stock options, warrants and restricted stock awards have a dilutive impact, illustrated in the following table. We generated basic and diluted earnings per share from net income of \$0.02 for the three month period ending March 31, 2016 and \$0.03 for the three month period ending March 31, 2015.

	For the Three Months Ended	
	March 31, 2016	March 31, 2015
Weighted average shares outstanding for basic EPS	24,381,497	24,086,705
Effect of dilutive securities		
Options	7,926	5,770
Restricted stock units	131,032	127,607
Warrants	45,833	20,176
Weighted average shares outstanding for diluted EPS	24,566,288	24,240,258

In addition, the weighted average number of securities that were anti-dilutive for the three months ended March 31, 2016, but which could potentially dilute EPS in the future were 276,320 outstanding stock options with a weighted average exercise price of \$2.86; 997,806 outstanding restricted stock units with a weighted average price of \$3.20; and 675,000 outstanding warrants with a weighted average exercise price of \$2.20.

For the three months ended March 31, 2015, we had potentially dilutive options and warrants. We had 359,641 outstanding stock options with a weighted average exercise price of \$5.93 and 725,000 outstanding warrants with a weighted average exercise price of \$2.15.

#### Note 12 - Leases

We lease certain office space and equipment. As leases expire, it can be expected that they will be renewed or replaced in the normal course of business. Rent expense from continuing operations was \$49,030 for three months ended March 31, 2016 and a credit of \$1,966 for the three months ended March 31, 2015. The credit is primarily due to subleasing the company's former New York City office at a higher rate than its lease cost.

Minimum future lease payments under non-cancelable operating leases as of March 31, 2016 are:

	<b>Lease Payments</b>
2016	\$ 141,071
2017	182,456
2018	183,858
2019	184,852
2020	140,749
Total	<u>\$ 832,986</u>

In April 2015, we entered into a five year agreement to lease office space in Little Rock, Arkansas commencing October 1, 2015, to serve as our headquarters. The new lease is for 12,245 square feet and will cost approximately \$171,000 during its first year. Thereafter, the lease payment will increase by 2%.

#### Note 13 - Litigation and Settlements

From time to time we may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. In addition, we are currently involved in the following litigation which is not incidental to its business:

*Oltean, et al. v. Think Partnership, Inc.; Edmonton, Alberta CA.* On March 6, 2008, Kelly Oltean, Mike Baldock and Terry Schultz, former employees, filed a breach of employment claim against Inuvo in The Court of Queen's Bench of Alberta, Judicial District of Edmonton, Canada, claiming damages for wrongful dismissal in the amount of \$200,000 for each of Kelly Oltean and Terry Schultz and \$187,500 for Mike Baldock. On March 6, 2008, the same three plaintiffs filed a similar statement of claim against Vintacom Acquisition Company, ULC, a subsidiary of Inuvo, again for wrongful dismissal and claiming the same damages. In October 2009, the two actions were consolidated. The case is in the discovery stage and there has not been any progress in the litigation since April 2013 and Inuvo has been holding this matter in abeyance pending the Plaintiffs taking the next step in the litigation process.

#### Note 14 - Segments

We operate our business as two segments, Partner Network and Owned and Operated Network which are described in Note 1.

Listed below is a presentation of net revenue and gross profit for all reportable segments for the three months ended March 31, 2016 and 2015. We currently only track certain assets at the segment level and therefore assets by segment are not presented below.

#### Revenue by Segment

	<b>For the Three Months Ended</b>			
	<b>March 31, 2016</b>		<b>March 31, 2015</b>	
	<b>\$</b>	<b>% of Revenue</b>	<b>\$</b>	<b>% of Revenue</b>
Partner Network	5,275,257	28.2%	7,573,380	56.4%
Owned and Operated Network	13,455,192	71.8%	5,847,567	43.6%
Total net revenue	<u>18,730,449</u>	<u>100.0%</u>	<u>13,420,947</u>	<u>100.0%</u>

## Gross Profit by Segment

	For the Three Months Ended			
	March 31, 2016		March 31, 2015	
	Gross Profit		Gross Profit	
	\$	%	\$	%
Partner Network	1,023,365	19.4%	1,520,895	20.1%
Owned and Operated Network	13,421,814	99.8%	5,830,833	99.7%
Total gross profit	14,445,179	77.1%	7,351,728	54.8%

### Note 15 - Subsequent Events

On March 31, 2016, the Company entered into Amendment #12 to Yahoo! Publisher Network Contract #1-19868214 (the "Amendment") with Yahoo! Inc., Yahoo! Singapore Digital Marketing Pte. Ltd., and Yahoo! EMEA Limited (together, "Yahoo"). The Amendment modifies the terms of the Yahoo! Publisher Network Contract #1-19868214, as amended, between the Company and Yahoo! (the "Contract"). The Contract had an end date of July 24, 2016 and, among other things, the amendment extends the term of the Contract until May 31, 2018.

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

### Company Overview

Inuvo, Inc. is an internet advertising technology and digital publishing company.

We develop technology to deliver content and targeted advertisements over the internet. We generate revenue when an end user clicks on the advertisements we delivered. We manage our business as two segments, the Partner Network and the Owned and Operated Network.

The Partner Network delivers advertisements to our partners' owned or managed websites and applications on desktop, tablet and mobile devices. We generate revenue in this segment when an advertisement we serve is clicked. At that time, we share a portion of the revenue we collect from the advertiser with the publishing partner where the click originated. Our proprietary technology platform allows for targeted distribution of advertisements at a scale that measures in the hundreds of millions of advertisements delivered monthly.

The Owned and Operated Network designs, builds and markets consumer websites and applications. This segment consists of our mobile-ready ALOT websites and acquired web properties. The focus is on providing engaging content to our users. The majority of revenue generated by this segment is derived from clicks on advertisements delivered through web searches and advertisements displayed on the websites.

We have taken several significant steps to position our business for long-term success including investments in ad serving technology, the development of adaptive, native advertising technology, the creation of proprietary content, the expansion of publishers within the Partner Network, the continued expansion of direct relationships with advertisers, and the optimization of overhead and operational costs all of which we expect will improve revenue and profitability. Our ALOT-branded websites and applications have a broad appeal focusing on popular topics such as health, local search, finance, careers, travel, living and education. These sites are content rich, searchable, mobile-ready web properties. We plan to continue the expansion of our website and mobile application business by expanding the ALOT brand and acquiring websites. In 2015, we launched our proprietary native advertising solution for web publishers and application developers, "SearchLinks"®. This is our entry product in the fast growing native advertising marketplace where ad copy seamlessly integrates with the content of the host website or application. SearchLinks was made available to the marketplace in the third quarter of 2015. We expect it to be a contributor to growth in 2016.

### Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reported periods. The more critical accounting estimates include estimates related to revenue recognition and accounts receivable allowances. We also have other key accounting policies, which involve the use

of estimates, judgments and assumptions that are significant to understanding our results, which are described in Note 2 to our unaudited consolidated financial statements appearing earlier in this report.

## Results of Operations

### Net Revenue

	For the Three Months Ended March 31,			
	2016	2015	Change	% Change
Partner Network	\$ 5,275,257	\$ 7,573,380	\$ (2,298,123)	(30.3)%
Owned and Operated Network	13,455,192	5,847,567	7,607,625	130.1 %
Net Revenue	\$ 18,730,449	\$ 13,420,947	\$ 5,309,502	39.6 %

Net revenue increased 40% in the three months ended March 31, 2016 to \$18.7 million compared to \$13.4 million in the same period in the prior year. The Partner Network declined 30% to \$5.3 million and Owned and Operated Network grew 130% to \$13.5 million. Year over Year declines in the Partner Network were in large part the result of a reclassification of revenue from Partner to Owned and Operated following the acquisition of Partner websites in the first half of 2015. The first quarter of the calendar year typically has lower advertiser demand which in turn lowers revenue per click (RPC). Within the three months ended March 31, 2016, our business experienced this typical, seasonal demand softness. As in the past, we expect the advertiser demand to increase in the second quarter. While demand typically softens in January and February with a recovery in March, this year, softness began in March.

The Partner Network, which represents 28% of our total net revenue for the three months ended March 31, 2016, delivers advertisements to our partners' websites and applications. Revenue in this segment is both a function of the total number of transactions processed through the ValidClick platform and the revenue we receive per transaction. The decline in revenue is due primarily to revenue from sites acquired by the Company from a partner in the first half of 2015 and is now accounted for in the Owned and Operated Network. We intend to continue to monetize our Partner Network by growing our network of partner websites and applications and continued deployment and improvement of our current products, including SearchLinks.

The Owned and Operated Network represents 72% of our total net revenue for the three months ended March 31, 2016 and generates revenue through our consumer-facing ALOT branded websites and applications and acquired websites. Our ALOT web properties include ALOT Health, ALOT Finance, ALOT Careers, ALOT Local, ALOT Travel, ALOT Living, and ALOT Education. These websites are content-rich and optimized for mobile and desktop devices, and are designed to capitalize on a growing consumer demand for content, delivered both on the desktop and on mobile devices. The increased revenue in this segment is from additional advertisements served to a growing user base of our owned and operated web properties. The increase in advertisements served and users was due in part to (i) increased marketing of our owned and operated web properties, (ii) expanded verticals and content, and (iii) beginning in March 2015, the acquisition of a former Partner Network site. We intend to continue to expand our Owned and Operated Network by enhancing our current websites and mobile applications, launching additional mobile applications under the ALOT brand, expanding the content of the ALOT sites and acquiring additional web properties.

In addition, net revenue benefited from a \$250,000 adjustment to the accrued sales allowance due to not having an advertiser chargeback within a year.

### Cost of Revenue

	For the Three Months Ended March 31,			
	2016	2015	Change	% Change
Partner Network	\$ 4,251,892	\$ 6,052,485	\$ (1,800,593)	(29.7)%
Owned and Operated Network	33,378	16,734	16,644	99.5 %
Cost of revenue	\$ 4,285,270	\$ 6,069,219	\$ (1,783,949)	(29.4)%

Cost of revenue in the Partner Network is generated by payments to website publishers and application owners who host our advertisements. The lower cost of revenue in the first quarter 2016 compared to the same quarter last year is due to primarily lower contractual payments to publishers resulting from lower volume with the publishers.

The increase in the cost of revenue in the Owned and Operated Network is due to additional web searches and content acquisition.

*Operating Expenses*

	<b>For the Three Months Ended March 31,</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>% Change</b>
Marketing costs	\$ 11,065,666	\$ 4,922,146	\$ 6,143,520	124.8%
Compensation	1,716,880	1,191,057	\$ 525,823	44.1%
Selling, general and administrative	1,259,626	987,766	\$ 271,860	27.5%
Operating expenses	<u>\$ 14,042,172</u>	<u>\$ 7,100,969</u>	<u>\$ 6,941,203</u>	<u>97.8%</u>

Operating expenses for the three months ended March 31, 2016 increased 98% compared to the same period of the prior year primarily as a result of higher marketing costs to launch and promote the new ALOT web properties.

Marketing costs include those expenses required to attract traffic to our owned and operated websites. Marketing costs increased in the three months ended March 31, 2016 as a result of the growth within the owned and operated website and application business. We expect marketing costs to continue to increase proportionally as we expand the ALOT branded websites and mobile applications and acquired web properties.

Compensation expense increased \$526,000 in the three month period ended March 31, 2016 as compared to the same period of 2015 due primarily to an increase in the number of employees. Our total employment, both full-time and part-time was 71 at March 31, 2016, compared to 52 at the same time last year. We expect compensation expense to continue to increase in the coming quarters as we hire additional developers and sales personnel to support the newly launched SearchLinks product.

Selling, general and administrative expenses were \$1.3 million for the three months ended March 31, 2016, \$272,000 greater than the same period last year. Selling, general and administrative expense includes professional fees, facilities costs, travel and entertainment, telecommunications, connectivity, office expense, and depreciation and amortization expense. The increase in this year's quarter over last year was primarily due to \$170,000 increase in depreciation and amortization expense and the increase of \$81,000 in facilities expense. We expect selling, general and administrative expenses to increase in the coming quarters commensurate with our growth.

*Interest expense, net*

Interest expense, net was \$23,608 and \$51,161 for the three months ended March 31, 2016 and 2015, respectively. This is interest expense on the bank credit facility where average outstanding loan balances were significantly lower in three month period ended March 31, 2016 than the same period 2015.

*Income tax benefit (expense)*

For the three months ended March 31, 2016, income tax expense was \$7,235 for state income tax expense. Due to net operating loss carryovers, we have not incurred a federal income tax expense.

In February 2015, we settled a disputed income tax claim with the State of New Jersey. The claim related to the 2007-2009 tax years and was settled for \$100,000. As a result, the remaining long-term taxes payable liability was adjusted and resulted in a one-time \$406,000 income tax benefit.

*Income from Discontinued Operations*

For the three months ended March 31, 2016 and March 31, 2015, we recorded net income of \$2,110 and \$20,259 respectively, which came primarily from an adjustment of certain accrued liabilities originating in 2009 and earlier.



## Liquidity and Capital Resources

On September 29, 2014, we renewed our Business Financing Agreement with Bridge Bank (see Note 5, "Notes Payable"). The renewal provided continued access to the revolving line of credit up to \$10 million through September 2016 and a new term loan of \$2 million through September 2017. As of March 31, 2016, the balance of both the term loan and the revolving line of credit was zero and the revolving line of credit had approximately \$4.9 million in availability. We intend to secure a new revolving line of credit upon the expiration of the current line of credit in September 2016.

In May 2015, we acquired websites from a publisher that had previously been a client on our ValidClick network. The purchase was structured as an earn-out payable in up to 500,000 shares of our common stock over a three year period dependent upon achieving certain minimum levels of volume. The fair value of the transaction was determined to be \$715,874. The transaction was recorded as an intangible asset on our balance sheet offset by a contingent liability of the same amount.

During the first quarter of 2014, we filed an S-3 registration statement with the Securities and Exchange Commission ("SEC") to replace the existing, expiring S-3 "shelf" registration statement, which permits us to offer and sell up to \$15 million of our securities from time to time in one or more offerings. To date, we have not taken down any sales from this shelf registration statement. Though we believe the revolving line of credit and cash generated by operations will provide sufficient cash for operations over the next twelve months, we may still elect to sell securities to the public or to selected investors, or borrow under the current or any replacement line of credit or other debt instruments in order to fund the development of our technologies, make acquisitions, pursue new business opportunities or grow existing businesses.

### *Cash Flows - Operating*

Net cash provided by operating activities was \$573,742 during the three months ended March 31, 2016. We produced net income of \$374,274, which included non-cash expenses; depreciation and amortization expense of \$540,562 and stock-based compensation expense of \$359,338. The change in operating assets and liabilities during the three months ended March 31, 2016 was a net use of cash of \$701,224 with accounts payable decreasing \$2,411,075 partially offset by a \$1,944,137 increase in the accounts receivable and unbilled revenue balance. Our terms are such, that we generally collect receivables prior to paying trade payables.

During the comparable period in 2015, we used cash in operating activities of \$1,116,672. Though we had a net income of \$626,310, which included several non-cash expenses; depreciation and amortization of \$370,883, stock-based compensation of \$51,924, and a credit adjustment of \$406,453 to accrued income tax, this cash provided by operations was more than offset by a net \$1.8 million increase in operating assets.

### *Cash Flows - Investing*

Net cash used in investing activities was \$372,598 and \$239,427 for the three months ended March 31, 2016 and 2015, respectively. Cash used in investing activities during both periods primarily consisted of capitalized internal development costs.

### *Cash Flows - Financing*

Net cash used in financing activities was \$24,811 during 2016.

In 2015, net cash used in financing activities was \$434,809 and was used to reduce the bank term loan.

## Off Balance Sheet Arrangements

As of March 31, 2016, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to a smaller reporting company.

#### **ITEM 4. CONTROLS AND PROCEDURES.**

##### **Evaluation of Disclosure Controls and Procedures**

We maintain “disclosure controls and procedures” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Disclosure controls and procedures are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, such as this report, is recorded, processed, summarized and reported within the time periods prescribed by SEC rules and regulations, and to reasonably assure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management does not expect that our disclosure controls will prevent all errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of March 31, 2016, the end of the period covered by this report, our management concluded their evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. As of the evaluation date, our Chief Executive Officer and Chief Financial Officer concluded that we maintain disclosure controls and procedures that are effective in providing reasonable assurance that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods prescribed by SEC rules and regulations, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

##### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the period ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II**

#### **ITEM 1. LEGAL PROCEEDINGS.**

See Note 13, Litigation and Settlements, for a discussion of outstanding legal proceedings.

#### **ITEM 1A. RISK FACTORS.**

We desire to take advantage of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Accordingly, we incorporate by reference the risk factors disclosed in Part I, Item 1A of our Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on February 12, 2016 subject to the new or modified risk factors appearing below that should be read in conjunction with the risk factors disclosed in such Form 10-K.

*We rely on two customers for a significant portion of our revenues.* We are reliant upon Yahoo! and Google for most of our revenue. During the first quarter of 2016 they accounted for 59.9% and 37.5% of our revenues, respectively, and during the same period 2015 they accounted for 65.0% and 33.3%, respectively. The amount of revenue we receive from these customers is dependent on a number of factors outside of our control, including the amount they charge for advertisements, the depth of advertisements available from them, and their ability to display relevant ads in response to end-user queries.

We would likely experience a significant decline in revenue and our business operations could be significantly harmed if these customers do not approve our new websites and applications, or if we violate their guidelines or they change their guidelines. In addition, if any of these preceding circumstances were to occur, we may not be able to find a suitable alternate paid search results provider or otherwise replace the lost revenues. The loss of either of these customers or a material change in the revenue or gross profit they generate would have a material adverse impact on our business, results of operations and financial condition in future periods.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY AND DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

As previously reported, on March 31, 2016, we entered into Amendment #12 to Yahoo! Publisher Network Contract #1-19868214 (the "Amendment") with Yahoo! Inc., Yahoo! Singapore Digital Marketing Pte. Ltd., and Yahoo! EMEA Limited (together, "Yahoo"). The Amendment modifies the terms of the Yahoo! Publisher Network Contract #1-19868214, as amended, between the Company and Yahoo! (the "Contract"). The Contract had an end date of July 24, 2016 and, among other things, the Amendment extends the term of the Contract until May 31, 2018.

The foregoing description is a summary, does not purport to be a complete description of the Amendment, and is qualified in its entirety by reference to the Amendment, a copy of which is filed as Exhibit 10.25 to this report.

**ITEM 6. EXHIBITS.**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
10.25	Amendment #12 dated March 31, 2016 to Yahoo! Publisher Network Contract #1-19868214 with Yahoo! Inc., Yahoo! Singapore Digital Marketing Pte. Ltd., and Yahoo! EMEA Limited *
31.1	Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer *
31.2	Rule 13a-14(a)/15d-14(a) certification of Chief Financial Officer *
32.1	Section 1350 certification of Chief Executive Officer *
32.2	Section 1350 certification of Chief Financial Officer *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
1010.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *

\* filed herewith

\*\* filed hereith. Portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission under Rule 24b-2. The omitted confidential material has been filed separately. The location of the omitted confidential information is indicated in the exhibit with asterisks (\*\*\*)



## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### **Inuvo, Inc.**

April 27, 2016

By: /s/ Richard K. Howe  
Richard K. Howe,  
Chief Executive Officer, principal executive officer

April 27, 2016

By: /s/ Wallace D. Ruiz  
Wallace D. Ruiz,  
Chief Financial Officer, principal financial and accounting officer

**The confidential portions of this exhibit have been filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request in accordance with Rule 24b-2 of the Securities Exchange Act of 1934, as amended.**

**REDACTED PORTIONS OF THIS EXHIBIT ARE MARKED BY “\*\*\*\*.”**

**Amendment #12  
to the Yahoo! Publisher Network Contract #1-19868214  
Effective Date: April 24, 2009, as amended (the “Original Agreement”)**

THIS AMENDMENT #12 to the Original Agreement (“Amendment #12”) is executed as of March 9, 2016 (“Amendment #12 Effective Date”) by and between Inuvo, Inc. (“Publisher”), on the one hand, and Yahoo! Inc., Yahoo! Singapore Digital Marketing Pte. Ltd. and Yahoo! EMEA Limited, on the other hand. All capitalized terms not defined herein shall have the meanings assigned to them in the Original Agreement.

In consideration of mutual covenants and conditions, the receipt and sufficiency of which are hereby acknowledged, Publisher and Yahoo hereby agree as follows:

1. Yahoo! Singapore Digital Marketing Pte. Ltd. is added as a party to the Original Agreement, and the term “Yahoo” shall hereafter refer to Yahoo! Inc., Yahoo! EMEA Limited and Yahoo! Singapore Digital Marketing Pte. Ltd., collectively. The preamble in Attachment A is amended and restated to read as follows:

The following requirements apply to all Links and Results shown in the Cover Page. Any provisions concerning Links and Results not explicitly listed in the Cover Page do not apply to Publisher. Yahoo! EMEA Limited is solely responsible for the Yahoo rights, obligations and duties described under this Agreement for all the markets included as part of the Territory within Europe, the Middle East and Africa (the “EMEA Territories”), Yahoo! Singapore Digital Marketing Pte. Ltd. is solely responsible for the Yahoo rights, obligations and duties described under this Agreement for all the markets included as part of the Territory within Hong Kong, Taiwan, India, Singapore, Philippines, Thailand, Indonesia, Malaysia and Vietnam (the “Asia Territories”), and Yahoo! Inc. is solely responsible for the Yahoo rights, obligations and duties described under this Agreement for the markets included as part of the Territory for which Yahoo! EMEA Limited and Yahoo! Singapore Digital Marketing Pte. Ltd. are not responsible. The use of the term “Yahoo” throughout this Agreement shall refer to Yahoo! EMEA Limited in relation to all markets included as part of the EMEA Territories, and shall refer to Yahoo! Singapore Digital Marketing Pte. Ltd. in relation to all markets included as part of the Asia Territories, and Yahoo! Inc. in relation to the markets included as part of the Territory for which Yahoo! EMEA Limited and Yahoo! Singapore Digital Marketing Pte. Ltd. are not responsible.

2. The contact information for Yahoo! Singapore Digital Marketing Pte. Ltd. for notices under the Original Agreement is:

Yahoo! Singapore Digital Marketing Pte. Ltd.  
60 Anson Road #13-01  
Mapletree Anson,  
Singapore 079914  
Attention: Legal  
Fax: +65 6809 8388

3. The End Date on the first page of the Cover Page to the Original Agreement is hereby deleted and replaced with “May 31, 2018”.

4. The Original Agreement is amended such that all references throughout the Original Agreement to “Service Order” or “SO” shall read as “Cover Page”.

5. The Original Agreement is amended such that all references throughout the Original Agreement to “Abuse of Services” shall read as “Abuse Provisions”.

6. The Original Agreement is amended such that all references throughout the Original Agreement to “Publisher’s Syndication Right” shall read as “Publisher’s Approved Syndication Implementation(s)”.

7. The Original Agreement is amended such that all references throughout the Original Agreement to “\*\*\*\*” shall read as “\*\*\*\*”.

8. The Section entitled “Deployment of Services on Publisher’s Offerings” on the Cover Page of the Agreement is hereby renamed “Implementations on Publisher’s Offerings” and the content of such Section is amended and restated to read as follows:

1. Link = Search Box; Results = Paid Search Results, Web Search Results; Publisher’s Offering = Sites: Publisher owned and operated Sites set forth on Exhibit 1 and Syndicated Sites set forth on Exhibit 1 and other Publisher owned and operated Sites and Syndicated Sites as approved in writing by Yahoo.

2. Link = Search Box via Chrome Resets and Search Box via Home Page Resets; Results = Paid Search Results, Web Search Results; Publisher’s Offerings = the offer of Applications requested by Publisher and pre-approved in writing by Yahoo, in each case which offer provides users a Reset Offer, and which offer occurs from Sites approved in writing by Yahoo specifically for such Reset Offer.

3. Link = Hyperlink via Content Link; Results = Hyperlink Results; Publisher's Offering = Applications requested by Publisher and pre-approved in writing by Yahoo specifically for this implementation, distributed from Sites approved in writing by Yahoo specifically for this implementation.

4. Link = Domain Match Link; Results = Domain Match Results; Publisher's Offering = Syndicated Sites requested by Publisher and approved by Yahoo in writing specifically for this implementation.

5. Link = Address Bar, Hyperlinks, Dead Links; Results = Error Results, Web Search Results, Hyperlink Results; Publisher's Offerings = Landing Pages, \*\*\* and approved by Yahoo in writing specifically for this implementation.

6. Link = Hyperlinks; Results = Hyperlink Results; Publisher's Offerings = Publisher Display Ads.

7. Link = Search Box, Hyperlinks; Results = Paid Search Results, Hyperlink Results, Web Search Results; Publisher's Offerings = Email campaigns: requested by Publisher and approved in writing by Yahoo specifically for Email.

9. The Section entitled "Implementation" on the Cover Page is hereby amended and restated to read as follows:

- As shown in Attachment A and as described in this Cover Page and Attachments
- Minimum Above the Fold: For desktop and tablet, Paid Search Results – \*\*\*.
- For clarity, any launch of the Links and Results set forth in implementation #6 above will be subject to Yahoo's prior approval (email acceptable).
- Additional terms for adult Paid Results are set forth in Section D of Attachment A.
- Additional terms for D2S are set forth in Section G of Attachment A
- Terms and Conditions are set forth in Attachment B.
- Additional terms for syndication are set forth in Attachment C.
- Additional terms for \*\*\* are set forth in Section 4 of Amendment #1 to the Original Agreement and in Attachment D.
- Branding: Publisher will display the Marks as shown in the mockups attached hereto (or as approved in writing by Yahoo) on Publisher's Offerings and in connection with the offer of the Applications and Syndicated Applications and the implementations associated therewith. Publisher will abide by the terms in Attachment E and any other guidelines that may be provided by Yahoo from time to time.
- Additional terms for Applications and Bundled Applications are set forth in Attachment F.
- Additional terms for error implementations (implementation #5 under Implementations on Publisher's Offerings) are set forth in Attachment G.
- Additional terms for domain match implementations (implementation #4 under Implementations on Publisher's Offerings) are set forth in Attachment H.
- Additional terms for email implementations (implementation #7 under Implementations on Publisher's Offerings) are set forth in Attachment I.
- Notwithstanding anything to the contrary contained in this Agreement, all Paid Results distributed in connection with any and all \*\*\* hereunder may only appear on web sites owned and operated by Publisher.

10. The Section entitled "Compensation" on the Cover Page is hereby amended and restated to read as follows:

Yahoo will pay Publisher the applicable percentage of Gross Revenue set forth in the tables below (subject to the note immediately following the tables) for Publisher's distribution of Paid Results.

\*\*\*

Total monthly Gross Revenue	Percentage of total monthly Gross Revenue*
***	***%
***	***%
***	***%

\*\*\*

Total monthly Gross Revenue	Percentage of total monthly Gross Revenue*
***	***%
***	***%
***	***%

\*\*\*

Total monthly Gross Revenue	Percentage of total monthly Gross Revenue*
***	***%
***	***%
***	***%

\* \_ \*\*\*

The figures in the table above are in U.S. dollars. Gross Revenue with respect to countries other than the U.S. in the Territory will be converted to U.S. dollars to determine the applicable tier of Gross Revenue during the Term, and payments will be made pursuant to Section 6 of Attachment B.

Yahoo, as the principal, will solely control all advertising transactions, including resolving advertiser disputes.

11. Section A of Attachment A of the Original Agreement is amended to add the following at the end thereof:
  12. Each Query submitted by Publisher to Yahoo for Results must include a request for Paid Results.
  13. Publisher will display all Results (including but not limited to Paid Results) from Yahoo in response to a Query submitted from Publisher's Offering to Yahoo, \*\*\*.
12. Section B.4 of Attachment A of the Original Agreement is amended and restated to read as follows:

Publisher acknowledges that Yahoo will crawl the content within Publisher's Offerings and will store and use limited information from Publisher's Offerings, solely to the extent necessary for the dynamic mapping of Matched Ads.
13. Each of Sections E (Publisher Branding) and F (Additional Requirements for Contextual Shortcuts) of Attachment A is hereby deleted and replaced with "Omitted."
14. Section G (Additional Requirements for Qualified Search) of Attachment A of the Original Agreement, which was added by Amendment #7 to the Original Agreement, is hereby deleted in its entirety, and there shall be no Qualified Search implementations under the Original Agreement. For the avoidance of doubt, Section G (Additional Requirements for D2S Implementation) of Attachment A of the Original Agreement, which was added by Amendment #8 to the Original Agreement, remains as Section G, but such Section G is amended and restated as set forth in Exhibit A hereto.
15. Notwithstanding anything to the contrary in this Agreement, in addition to the terms set forth in Section G (Additional Requirements for D2S Implementations) of Attachment A, unless otherwise expressly agreed in writing, the terms set forth on Exhibit B hereto shall apply to all Special SearchLinks Implementations. In the event of a conflict between the Additional Requirements for D2S Implementations and the terms set forth in Exhibit B, the terms set forth in Exhibit B will govern and control.
16. Publisher understands that Yahoo continually works to improve the integrity of the search marketplace and ecosystem. If requested by Yahoo, Publisher agrees to discuss in good faith and in a timely manner the integration of any reasonable new technologies and/or measures introduced by Yahoo and intended to improve the integrity of such marketplace and/or ecosystem.
17. The Mockups section of Attachment A of the Original Agreement is amended to incorporate the Special SearchLinks Mockups set forth on Exhibit C hereto.
18. All additions, modifications and amendments effected by Amendment #9 to the Original Agreement, which terms primarily related to the Mobile iOS Default Search Implementation, are hereby deleted and shall be of no further force or effect.
19. The heading of Section 2 of Attachment B of the Original Agreement, which reads "Services", is amended to read instead as "Queries."
20. Section 6 of Attachment B of the Original Agreement is amended and restated to read as follows:

**Payment.** Yahoo or a Yahoo Related Party will pay Publisher within \*\*\* after the end of the calendar month in which the relevant Results were distributed on Publisher's Offerings or were on Yahoo Search Results Page, as the case may be. Payment will be made in US dollars. If Advertisers pay in any other currency, Yahoo will calculate payment using the average exchange rate as published by a nationally recognized source (e.g., Oanda). If the Territory includes countries other than the United States, Publisher acknowledges that payment will only be made after Publisher fulfills Yahoo's invoicing requirements. For markets in the EMEA Territory, Publisher agrees that for any payments due to Publisher under the Agreement, Yahoo may issue invoices to itself for such payments. Publisher shall have \*\*\* days to challenge the statements that will be sent to the Publisher prior to the self-invoices being issued. If the Publisher has not challenged the statements within this period then the invoices shall be deemed accepted by Publisher. Publisher shall be responsible for payment of VAT to the relevant tax authority. In addition, Publisher must immediately notify Yahoo in writing if Publisher changes its VAT registration number, ceases to be VAT registered, or sells or otherwise disposes of its business. Yahoo may offset payments by any amounts Publisher owes to Yahoo. This includes, but is not limited to, offsetting payments for previous overpayments made to Publisher, for monies Publisher may owe Yahoo as a result of refunds given to Advertisers due to traffic quality and/or other issues in connection with Publisher's Offerings, Bundled Applications, if applicable, and any other services or products distributed with Links or Results by Publisher. Publisher understands that traffic quality-related



concerns are of the utmost importance to Yahoo, that traffic quality investigations are common, routine and ongoing in nature, and that the decision to refund and the extent of any refund is within Yahoo's sole discretion. In the event that Yahoo refunds amounts to Advertisers in excess of its payment to Publisher, Publisher will pay Yahoo for such amounts within 30 days of Yahoo's request. Yahoo may make payments only when Publisher's balance exceeds US \$250.00 (or until termination or expiration of this Agreement). No other compensation except as specifically set forth in this Section 6 is due to Publisher.

21. The first two sentences of Section 8 (Exclusivity) of Attachment B of the Original Agreement shall be deleted in their entirety and replaced with the following (changes in italics):

\*\*\*.

22. Section 18 of Attachment B of the Original Agreement is hereby amended and restated to read as follows:

**Abuse Provisions.** Unless specifically permitted by this Agreement, Publisher, Publisher's Offerings, Bundled Applications, if any, and any other services or products distributed with Links or Results by Publisher will comply with the Abuse Terms. Any search, impression, click or conversion generated in violation of this Section 18 shall not be counted for purposes of calculating any compensation owed to Publisher. If any of the provisions of Section 18 is violated, Yahoo may immediately suspend Links and Results. If Publisher fails to cure or prevent the noticed activity within \*\*\* after Yahoo informs Publisher of the violation or if Publisher fails to provide reasonable assurances that there will be no further violations, Yahoo may terminate this Agreement immediately upon notice without liability to Publisher except for any compensation due to Publisher through the date of termination. \*\*\*.

23. Section 21 of Attachment B of the Original Agreement is hereby amended and restated to read as follows:

**Traffic Quality Shortfall.** \*\*\* If Publisher fails to bring its traffic quality score above such percentage within the 30 day period, or if Publisher's traffic quality score slips below such percentage again during the Term, then Yahoo may terminate this Agreement, in whole or in part (including but not limited to, on a Territory, a Publisher's Offering and/or an individual tag basis), immediately upon notice. Publisher acknowledges and agrees that Yahoo may modify the method used to measure Publisher's traffic quality from time to time in Yahoo's sole discretion; \*\*\*.

24. Section 29 of Attachment B is amended as follows:

(a) The following referenced definitions are amended and restated to read as follows:

**Approved Sites:** sites each as cleared by Yahoo's certified classifier system and/or pre-approved by Yahoo in accordance with criteria determined by Yahoo and notified to Publisher. \*\*\*:

\*\*\*

**Publisher Display Ad:** Publisher's display ad (or, in the case of Special SearchLinks Implementations, an equivalent creative consistent with the Special SearchLinks Mockups set forth in Attachment A) that appears in a Display Ad Unit on an Approved Site.

(b) The following definitions are added to Section 29 of Attachment B:

**Abuse Terms:** the terms located at \*\*\* Yahoo may revise the Abuse Terms from time to time, in its sole discretion. Yahoo will use commercially reasonable efforts to provide Publisher with at least 30 days' notice (via the system through which Publisher accesses preliminary performance data) of any such revision.

\*\*\*.

**SearchLinks:** Publisher's proprietary keyword mapping technology that generates keyword Hyperlinks.

**Special SearchLinks Implementations:** the SearchLinks implementations depicted in the Special SearchLinks Mockups in Attachment A.

(c) The definitions of CS Ad Code, CS Frame and CS Link are each hereby deleted.

25. Section 9(a)(i) of Attachment C (Syndication Attachment) to the Original Agreement is amended and restated to read as follows:

(i) Suspend Results to Queries from the Syndication Affiliate until the Syndication Affiliate becomes compliant;

26. Section 9(a)(iii) of Attachment C (Syndication Attachment) to the Original Agreement is amended and restated to read as follows:

(iii) Suspend some or all Results to Queries from Publisher until the Syndication Affiliate becomes compliant or is terminated by Publisher; and/or

27. Section 8(a)(i) of Attachment D (Arbitrage Attachment) to the Original Agreement is amended and restated to read as follows (change in italics):

(i) Suspend *distribution* of Results by Publisher with respect to the applicable Arbitrage Implementation;

28. Section 8(a)(iii) of Attachment D (Arbitrage Attachment) to the Original Agreement is amended and restated to read as follows (change in italics):

(iii) Suspend *distribution* of some or all Results by Publisher until the subject Arbitrage Implementation(s) becomes compliant;

29. The third sentence of Section 4(g) of Attachment F (Software Attachment) to the Original Agreement is amended and restated to read as follows (change in italics):

Publisher acknowledges that Yahoo may reject or terminate Publisher's *distribution of Content Links, Hyperlinks, and Hyperlink Results* on or in connection with their Syndicated Application on 24 hours notice, for any reason or no reason.

30. The third sentence of the second paragraph of Section 3 of Attachment H (Domain Match Attachment) is amended and restated to read as follows (change in italics):

For any Hyperlinks mapped by Publisher to Landing Pages or Domain Match Results Pages, Publisher agrees it shall, (i) at least one time per week, compare the keyword terms in use by Publisher against the ratings feed or other list *sent by* Yahoo ("Ratings Feed"); and remove any keyword terms not permitted by Yahoo pursuant to the Ratings Feed; (ii) not use any keyword terms that would be deemed "controversial", "alcohol", "weapons", "sensitive", "tobacco", "gambling" or "restricted" by the front end filter (if a ".com" were added to such terms), as determined by Yahoo in its sole discretion ("Unauthorized Keywords"); (iii) implement its own internal controls to ensure that such Unauthorized Keywords are not used as keywords; (iv) allow Yahoo, upon request by Yahoo, to review Publisher's mappings used to display Domain Match Links and Domain Match Results; (v) on Yahoo's request, map Hyperlinks to alternate keyword terms; (vi) on Yahoo's request, change the Hyperlinks on the Landing Page; and (vii) abide by any daily keyword click caps as may be required by Yahoo within one (1) business day, provided that if Publisher is unable to abide by any such click caps, Publisher agrees to remove the particular Hyperlink.

31. The eighth sentence of the second paragraph of Section 3 of Attachment H (Domain Match Attachment) is amended and restated to read as follows (change in italics):

Publisher shall be required to *integrate* Yahoo's mapping technology when distributing Results on those Publisher's Offerings that Yahoo determines, in its sole discretion, that use of Publisher's mapping technology is negatively impacting Yahoo's business or operations, including, but not limited to, traffic quality.

32. Section 10 of Attachment I (Email Attachment) to the Original Agreement is amended and restated to read as follows (changes in italics):

**Suspension and Termination.** In addition to any other termination rights under this Agreement, at any time during the Term, Yahoo may, in its sole discretion:

- (a) Immediately suspend Publisher's *distribution of Links and/or Results* in any specific Email implementation or in Email generally;
- (b) Terminate this Email Attachment for any or no reason in Yahoo's sole discretion, on 24 hours' notice to Publisher. Within 24 hours of receiving such notice, Publisher and its vendors will stop including Links and/or Results in any Email. *Yahoo's sole obligation to Publisher with regard to this Email Attachment is for undisputed payments.* In addition, Yahoo will have no obligations to nor any liability in connection with any of Publisher's vendors under this Email Attachment.

33. Section 1 of Amendment #2 to the Original Agreement is amended and restated to read as follows (change in italics):

Notwithstanding anything to the contrary in the Agreement, Publisher hereby acknowledges and accepts that Yahoo may be obtaining some or all Results *sends* to Publisher under the Agreement from third party sources and third party marketplaces that may include, but are not limited to, Microsoft Corporation. For clarity, references in the Agreement to Yahoo matching technology, search databases, paid marketplace databases, marketplaces, ad serving systems and Advertisers shall be deemed to include those provided by Microsoft Corporation or any other third party, if applicable.

34. Except as expressly set forth herein, the Original Agreement will remain in full force and effect in accordance with its terms.

35. In the event of a conflict between any of the terms and conditions of the Original Agreement and the terms and conditions of this Amendment #12, the terms and conditions of this Amendment #12 shall govern.

36. This Amendment #12 may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same instrument.

[Signatures on next page]

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to enter into this Amendment #12 effective as of the Amendment #12 Effective Date.

By: /s/ Don W. Barrett, III

Name: Don W. Barrett, III

Title: COO

Date: 3/11/16

By: /s/ Ian Weingarten

Name: Ian Weingarten

Title: SVP, Corporate Development & Partnerships

Date: March 30th, 2016

**YAHOO! EMEA LIMITED**

By: /s/ Ronnie Cobane

Name: William R. Cobane

Title: Director

Date: 18 April 2016

By: /s/ Margaret Chang

Name: Margaret Chang

Title: Senior Director

Date: 13 Apr 2016

**EXHIBIT A**

**Additional Requirements for D2S Implementation**

**G. Additional Requirements for D2S Implementation**

\*\*\*

**EXHIBIT B**

**Additional Terms for Special SearchLinks Implementations**

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**EXHIBIT C**

**Mockups to be Added to Attachment A**

\*\*\*

**Rule 13a-14(a)/15d-14(a) Certification**

I, Richard K. Howe, certify that:

1. I have reviewed this annual report on Form 10-K of Inuvo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2016

/s/ Richard K. Howe

Richard K. Howe

Chief Executive Officer, principal executive officer

**Rule 13a-14(a)/15d-14(a) Certification**

I, Wallace D. Ruiz, certify that:

1. I have reviewed this annual report on Form 10-K of Inuvo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2016

/s/ Wallace D. Ruiz

Wallace D. Ruiz

Chief Financial Officer, principal financial and accounting officer

**Section 1350 Certification**

In connection with the Annual Report of Inuvo, Inc. (the "Company") on Form 10-K for the year ended March 31, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, Richard K. Howe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the Report fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: April 27, 2016

/s/ Richard K. Howe

Richard K. Howe

Chief Executive Officer, principal executive officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Section 1350 Certification**

In connection with the Annual Report of Inuvo, Inc. (the "Company") on Form 10-K for the year ended March 31, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, Wallace D. Ruiz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the Report fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: April 27, 2016

/s/ Wallace D. Ruiz

Wallace D. Ruiz

Chief Financial Officer, principal financial and accounting officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.